



Annual Report 2007

From planning to action

The Hon Michael Costa, MLC
Treasurer, Minister for Infrastructure,
Minister for the Hunter,
Deputy Leader of the Government
in the Legislative Council

Level 30
Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000

The Hon John Arthur Watkins, MP
Deputy Premier, Minister for Transport,
Minister for Finance,
Member of the Legislative Assembly

Level 30
Governor Macquarie Tower
1 Farrer Place
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31 October 2007

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 2007. 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

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Projects featured on the front cover (top to bottom row):
The New Rouse Hill, Green Square Town Centre and Victoria Park





Victoria Park

Turning Government plans into action

The NSW Government has an important role to play in managing and directing the growth of our cities. While the private sector delivers much of that growth, Government must have the ability to intervene from time to time, particularly where the private sector may be unwilling or unable to become involved.

Landcom provides this intervention – by implementing key elements of the Government’s urban management strategy.

In other words, we make things happen.

What is Landcom?

Landcom is the NSW Government's property developer – but we are not a developer in the conventional sense.

Our goal is to demonstrate excellence in economic, social and environmental sustainability through our projects. Landcom developments also fulfil important Government objectives for Sydney's growth. To do this, we partner with the private sector to leverage our influence on a metropolitan scale.

Our value to Government

We always start with people in mind. This means that we create places that provide the best possible foundation to build communities – for those people who will live and work there and those who will come to visit.

Our value to Government lies in being problem solvers, a mechanism for good development to occur and a respected leader within the development industry. Our business approach allows us to adapt and evolve in response to changing Government priorities, while being self funding and financially sustainable.

What we do

We currently operate within the Greater Sydney Metropolitan Area, and in nearby regional areas such as the Hunter and Illawarra.

While most of our projects are residential in nature, we are also involved in a range of retail, commercial, industrial and mixed use developments.

The scale and complexity of our projects is increasing and, in recent years, our focus has shifted towards a higher proportion of urban renewal projects, particularly transit oriented developments. This is in line with the priorities of Government in terms of the future development of Sydney.

We also remain involved in greenfield residential development, but mainly in circumstances where our participation either supports Sydney's growth sectors or provides the foundation for future development within those areas.

We usually deliver our projects through partnering arrangements with the development industry. This enables us to leverage a modest level of Government investment into a much larger level of private sector investment. It also extends our reach and enhances our capacity to deliver.

Our values

We are a forward thinking organisation, committed to being adaptable and innovative in solving problems. And so we value strategic thinking and have the capacity to make things happen.

We act ethically and professionally at all times. We value the qualities of integrity and fairness in dealings with our customers, partners, stakeholders and employees.



Projects with metropolitan outcomes

The Landcom Business Model:

Leveraging private sector investment for major projects using available opportunities (e.g. State assets)

Partnering with:

- The private sector
- Local Government
- State agencies

Guided by:

- NSW Government's urban management strategies
- The NSW State Plan
- Sound business practices
- Sustainable environmental principles
- A social conscience

Overview of the year

We are proud of our achievements
– but we embrace our challenges too.

Corporate results

Delivery

We delivered a total of 1,084 dwelling equivalents to the market across all our projects during the year.

EBIT

Our earnings before interest and tax (EBIT) were \$68.4 million.

Returns to Government

We returned \$57.3 million to the NSW Government in the form of a dividend and tax equivalent payments.

Job creation

An estimated 6,315 jobs and a total of \$494.9 million in economic output were generated, directly or indirectly, as a result of our development activities during the year.

Industry recognition

We enjoyed unprecedented industry recognition for our projects and sustainability initiatives during the year, winning a record number of awards, with our “My Neighbourhood” initiative receiving the most recognition.

»» 1,084

dwelling equivalents
delivered to the market.

Park Central



Sustainability results

Walking School Bus

We piloted a "Walking School Bus" program at Parklea Public School. This program promotes healthy travel choices by encouraging students to walk to school and has the added benefit of reducing vehicle movements around schools, improving safety and reducing greenhouse gas emissions.

Water quality

We continued to achieve excellent results in water quality management this year, delivering a 47% reduction in nitrogen content within stormwater discharges and a 43% reduction in potable water use within our developments. These results are in excess of our June 2008 targets – achieved a year earlier than projected.

We also achieved a 78% decrease in suspended solids within stormwater (i.e. just short of our June 2008 target of 80%) and a 60% reduction in mean annual phosphorus loads. The latter represented a further improvement over last year's result, which has already surpassed our June 2008 target. These results are a direct outcome of Landcom's Water Sensitive Urban Design Strategy.

Greenhouse gas savings

161 homes were constructed through partnering arrangements with the private sector this year. These were specifically designed to reduce energy consumption – delivering a total greenhouse gas saving estimated at 127 tonnes when compared to the same number of average houses in NSW. Furthermore, Landcom homes constructed under the BASIX 25 requirements during the year averaged 38 BASIX points.

We also reduced our own greenhouse gas emissions by approximately 70 tonnes, through reducing the energy used in our head office, regional and project offices and by reducing emissions from our vehicle fleet.

Builders' environmental performance

Landcom continued monitoring the environmental performance of builders working on our projects, with the aim of improving environmental management on building sites. Our target, for all our builders to record a site audit score of greater than 75%, was achieved for the first time this year.



»» **Targets exceeded in water quality management.**

Project results

The Ponds

In March, the first of 3,200 homesites became available for sale within our \$1.5 billion project known as The Ponds. This estate will house up to 10,000 people over the next 10 years.

Minto

Civil works commenced on the redevelopment of the Minto Housing Estate in June, following the execution of a landmark agreement with the Minister for Housing in December 2006, giving the go-ahead for the project.

Green Square Town Centre

In February, after Cabinet endorsed Landcom's delivery strategy for this project, we took a \$1 billion offering to the market, designed to deliver the core elements of the new Town Centre.

Prince Henry at Little Bay

The first resident moved into Landcom's Prince Henry development in April, and work proceeded rapidly across the entire project during the year. In September 2006, the Minister for Planning launched construction on a major aged care facility for the site, comprising 114 self care apartments and a 130 bed high care facility. And in March 2007, a new Rescue Helicopter Service was opened nearby in Botany Bay National Park. This was relocated from the site by Landcom at a cost of \$6 million to meet the needs of the Emergency Rescue Helicopter Service.

The New Rouse Hill

At Rouse Hill, the Town Centre, residential precincts, apartments, major infrastructure, library and related community facilities all began to take shape during the year. Construction on the project continued ahead of schedule, and had reached full capacity by May, with a total of 800 workers employed on the site.

Royal Newcastle Hospital

Following an extensive tender process, Mirvac was selected in June as the preferred partner to work with Landcom in redeveloping the Royal Newcastle Hospital site.

Challenges and outlook

Shift to urban renewal projects

The shift in our business emphasis towards urban renewal projects is an ongoing challenge for us, since these projects tend to be contentious, more complex and often generate lower returns. We are responding by promoting closer partnerships; by better managing internal resourcing; and by communicating closely with our private sector partners.

Residential property market

The property market remains flat and, while Landcom continues to meet its financial targets, the length of the current downturn is challenging our abilities. We are ensuring that all required project planning and approvals are in place so that we can respond quickly when a market upturn occurs.

Moderate income housing

We continue to face difficulty in delivering affordable housing. This year 5.1% of Landcom's product was delivered at a price considered affordable to moderate income households. This is lower than our target of 7.5% and down from last year's result of 6.2%. The significant increase in land values in Sydney over the past 10 years continues to influence this outcome.

The delivery of more affordable products is a key issue for Landcom and, while we pursued the development of a shared equity product last year as a means to address the problem, this approach was not successful. We continue to review our strategy and explore new opportunities in this area.

Industrial land development

We completed our final industrial land sale at Smeaton Grange in June, bringing to an end our 30 year involvement in the development of industrial landholdings throughout the Macarthur region. Over that period, Landcom developed and sold 700 hectares (ha) of industrial land throughout the region to over 600 businesses, providing over 12,000 local jobs.

Oran Park

In March, the Growth Centres Commission approved the exhibition of Landcom's indicative layout plan for its Oran Park project, one of the first major releases proposed within the new South West Growth Centre.

Renewable energy

Solar hot water systems were installed in 17% of all homes constructed during the year. This is a reduction from 32% in 2005/2006 and 36% in 2004/2005. Despite this decline, we are still aiming to install solar hot water systems in all our "built form" projects and we will continue to pursue our target. Further improvements are expected over the next few years as newer projects come on line.

Awards

Urban Development Institute of Australia 2006 NSW Awards for Excellence

Category: Public Sector Leadership for Urban Development Award
Winner: The "My Neighbourhood" initiative

Category: Award for Residential Development Greater than 50 Lots
Winner: Macarthur Gardens

Category: Marketing Award
Winner: Macarthur Gardens
Highly Commended: Waterford

Special Award for Services to the Industry: Sean O'Toole

NSW Urban Taskforce Awards

Category: Development Excellence Award for Residential Development
Winner: Discovery Point

2006 Australia Award for Urban Design Education

Winner: The "My Neighbourhood" initiative

2006 Planning Institute of Australia (NSW) Awards for Excellence in Planning

Category: Award for Planning, Scholarship, Research or Teaching
Winner: The "My Neighbourhood" initiative

Category: Award for Environmental Planning or Conservation
Winner: The Ponds

Category: Award for Urban Design, Planning and Ideas Category
Winner: Street Design Guidelines
Highly Commended: Rouse Hill

Category: Award for Rural and Regional Planning Achievement
Highly Commended: Renwick

President's Award:
The "My Neighbourhood" initiative

RAIA, PIA and AILA 2006 National Award for Urban Design Education
Winner: The "My Neighbourhood" initiative

Australian Institute of Landscape Architects 2006 National Awards

Category: National Merit Award for Planning in Landscape Architecture
National Merit Award: The Ponds

2006 International Erosion Control Association Awards

Category: Environmental Achievement Award
Winner: The "Blue Book"

Urban Development Institute of Australia 2006 National Awards for Excellence

Category: The Affordable Development Award
Winner: Macarthur Gardens

National Planning Institute of Australia Awards

Merit Award:
The "My Neighbourhood" initiative
Merit Award: Street Design Guidelines

Chairman's statement

During the year under review, housing demand in the markets in which Landcom operates has been at its lowest level for nearly three decades. Therefore it is pleasing to be able to report that the Corporation's operating profit of \$59.8 million exceeded its budget by some 8%. As a consequence, Landcom was able to return to the Government \$57.3 million by way of dividends and tax equivalents which exceeded the target by some \$2.2 million.

Landcom's success is due to its people. They contribute in so many ways to building a culture of innovation, tempered with a healthy degree of optimism.

The lower than budgeted sales revenue reflected, in part, the slowness of the market and the challenges experienced in pursuing the Corporation's asset divestment program designed to improve the rates of return on both assets and shareholders' equity. Close attention to cost control, the stringent management of cash flows and Landcom's policy of producing only good quality products have combined to produce the solid financial results.

In addition to its requirement to provide the Government with a commercial return on its investment, one of Landcom's other major aims has been to lead the way in implementing initiatives that embrace environmental and social sustainability. That the Corporation has been successful in this regard is amply demonstrated in this year's report and it is now plainly evident that satisfying public expectations about responsible environmental management has become an important marketing advantage.

Looking back, we can see that Landcom's practical, grassroots approach to sustainability at a project level has now become the industry norm. This will stand the Corporation in good stead as we grapple with the challenges posed by climate change – a topic which in recent times has taken on rapidly increasing importance.

Landcom's major role remains, however, to assist the Government to implement its urban and regional development agenda. This requires Landcom to engage in complex and strategic projects which demand specialised skills in land assembly, urban planning and design, the development of innovative partnering arrangements, market analysis and marketing as well as the building of close working relationships with myriad stakeholders including state government agencies, local government and suppliers.

Much of Landcom's work is carried out in the form of joint ventures or partnerships of one nature or another. These arrangements enable Landcom to conserve scarce capital, minimise risk and capitalise on the private sector's capacity and capabilities. It is our intention that in the future we will seek an earlier exit from projects when they are well established and most of their complex issues have been resolved. In this way, the Corporation will be able to redeploy its capital and exert a wider influence in pursuing the Government's urban policies.

The success that Landcom has enjoyed this year is, of course, entirely due to its people. They are quite passionate about their work and contribute in so many positive ways to the building of a culture of innovation tempered with a healthy degree of pragmatism; the Board of Directors pays tribute to them.

We also thank the senior management team and our Managing Director, Mr Sean O'Toole, who has again led the organisation with distinction; we consider ourselves fortunate to have a chief executive officer of such high calibre.

During the year, Mr Chris Carroll resigned from the Board after five years of service. The directors acknowledge with appreciation the contribution that Mr Carroll has made to the advancement and well-being of Landcom and we wish him much happiness and success in the years ahead.

Last, I thank my fellow directors for their encouragement and support and for their splendid contribution to the Corporation; their wise counsel and their good humour make my work at Landcom a pleasure.



William Kirkby-Jones AM
Chairman



Managing Director's statement

Sustainability rests at the core of our business and we remain one of only a handful of organisations to have fully integrated sustainability performance within our normal business reporting.

The theme for this Annual Report is "from planning to action", reflecting several significant Landcom projects that moved from the drawing board to implementation during the year.

Each of these projects has proven very challenging to deliver. We remain convinced that the best way to extend our influence and leverage outcomes at a metropolitan level is to work in partnership with others and I thank, in particular, our development industry partners for their positive contribution to Landcom's success, including Australand, Greenfields Development Company, Lend Lease/the GPT Group, Mirvac, Urban Pacific, Sunland, Stockland and St Lukes/Multiplex.

During the year we continued to refine our business approach so that we remain closely aligned with the Government's urban management objectives and to ensure that we maximise our capacity to deliver. We realise that, with our projects increasing rapidly in scale and complexity, even higher levels of cooperation and integration across the numerous parties involved in the development process will be required into the future.

That's why we have decided to pursue more formal partnerships with state agencies and local government, as well as the private sector. This encourages all parties to work together to deliver timely outcomes at a scale big enough to make a real difference to the future of our cities and towns. I am pleased to include the Sydney City Council, Campbelltown City Council and a number of Government agencies as our development partners and look forward to partnering more widely in the future.

Once again this year, Landcom has met the challenges set for it by Government, delivering a total of 1,084 dwelling equivalents. Some of our more important corporate results, project highlights and sustainability achievements are featured on pages 4 to 7.

Nevertheless, there are many challenges ahead. Sustainability rests at the core of our business and we remain one of only a handful of organisations to have fully integrated our sustainability performance within our normal business reporting. Next year, we will be examining our sustainability targets in light of Landcom's business performance over the past five years – setting ourselves new challenges for the future.

I remain confident in our ability to continue to adapt and change, a confidence founded on the people of Landcom – our staff, the management team and the Board. The outstanding results of the past year are nothing more than a reflection of their teamwork and ongoing commitment.



Sean O'Toole
Managing Director



Governance structure

Landcom is a State Owned Corporation, operating under the Landcom Corporation Act 2001. Our objectives under the Act are to:

- Undertake strategic and complex development projects.
- Assist the Government in achieving its urban management objectives.
- Be a successful business, by operating efficiently and by maximising the net worth of the State's investment.
- Be a responsible developer.
- Be socially responsible and protect the environment.
- Display a sense of responsibility towards regional development and decentralisation.



Park Central

In 2006/2007, overall control of the Corporation was exercised by Landcom's Portfolio Minister, the Hon Frank Sartor MP, in conjunction with the Hon John Watkins MP and the Hon Michael Costa MLC, acting in the capacity of Shareholder Ministers.

Our activities are overseen by a Board of Directors acting on behalf of Landcom's shareholders. The Board's main responsibilities are to set strategic direction, establish Landcom's major objectives, identify and manage risk and ensure that the Corporation complies with all relevant legislation.

The Board meets with senior management early each year to set the strategic direction for the organisation and to specify key corporate targets to be achieved for the following financial year. Landcom's Corporate Plan and its Statement of Corporate Intent are the products of this process.

While Board meetings are held monthly, Board members also preside over a number of committees established to oversee specific issues requiring ongoing review. These are the Audit and Risk Management, Marketing and Sales, Information Technology and Remuneration Committees.

Board of Directors



Above, left to right:
William Kirkby-Jones;
Sean O'Toole and Neil Bird
Below, left to right:
Gae Raby and Robyn Clubb

The Directors of the Landcom Board during 2006/2007 were:

William Kirkby-Jones AM

Dip CD, FAICD, FAIM, FAMI

Chairman

Mr Kirkby-Jones secured 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 currently holds a number of non-executive directorships.

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 API

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

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.

Neil is a member of the Central Sydney Planning Committee and was made a Member of the Order of Australia in 2000 for services to urban development.

Gae Raby

B Econ

Ms Raby is an economist with extensive experience in developing major government policy initiatives at both the Federal and State levels. She has also held executive positions responsible for the financing and delivery of inter-government programs.

Gae's experience covers the health, transport, planning and community services sectors. She has a particular interest in, and advises on, corporate strategy and machinery of government issues.

Robyn Clubb

B Econ, CA, F.Fin, MAICD

Ms Clubb's experience is in the financial services industry and includes corporate advisory, corporate lending, retail superannuation, retail funds management and involvement in international ventures.

Robyn has worked at a senior management level in New Zealand, China and the United Kingdom.

Chris Carroll

LLB (Hons)

Mr Carroll resigned from the Board effective 31 January 2007.

Divisional General Managers



Above, left to right:
Geoff Joyce and Greg South.

Below, left to right:
Mick Owens and
Kerry Robinson

The Management Executive comprises the Managing Director, the five divisional General Managers, the Corporate Strategy, Business Development and Sustainability Directors, and the Executive Officer.

Geoff Joyce

B Com, ACA, FAICD

General Manager Development

Geoff manages Landcom's urban renewal ventures and his responsibilities include the management of Landcom's business development team.

He has over 30 years senior management experience in both the private and public sectors, drawing on formal qualifications in commerce, accounting and management.

His expertise extends across the property development, construction and leisure industries.

Greg South

B Econ, ASA

General Manager Corporate and Finance; Corporate Secretary

Greg oversees the provision of finance and corporate services across Landcom and ensures that appropriate financial and commercial infrastructure is in place for Landcom's operations and projects.

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

Mick Owens

B Surv, MIS

General Manager Development

Mick leads urban development teams responsible for delivering Landcom projects in south west Sydney, the Southern Highlands, Shellharbour and Wollongong.

He has particular responsibility to manage projects and stakeholder relationships that are of strategic importance to Sydney's future growth.

Mick has more than 20 years experience in the property development industry. He is fostering innovation, sustainability and higher quality development, particularly within major Growth Centres.

Kerry Robinson

BTP (Hons), Ass Dip VAL,
MPIA, CPP, MAICD

General Manager Development

Kerry manages Landcom's urban development projects in Sydney's north and west, as well as the Central Coast, Hunter and Mid-North Coast.

He has more than 25 years experience in the property industry, having worked in Local Government, private consultancy and a range of private sector development organisations.

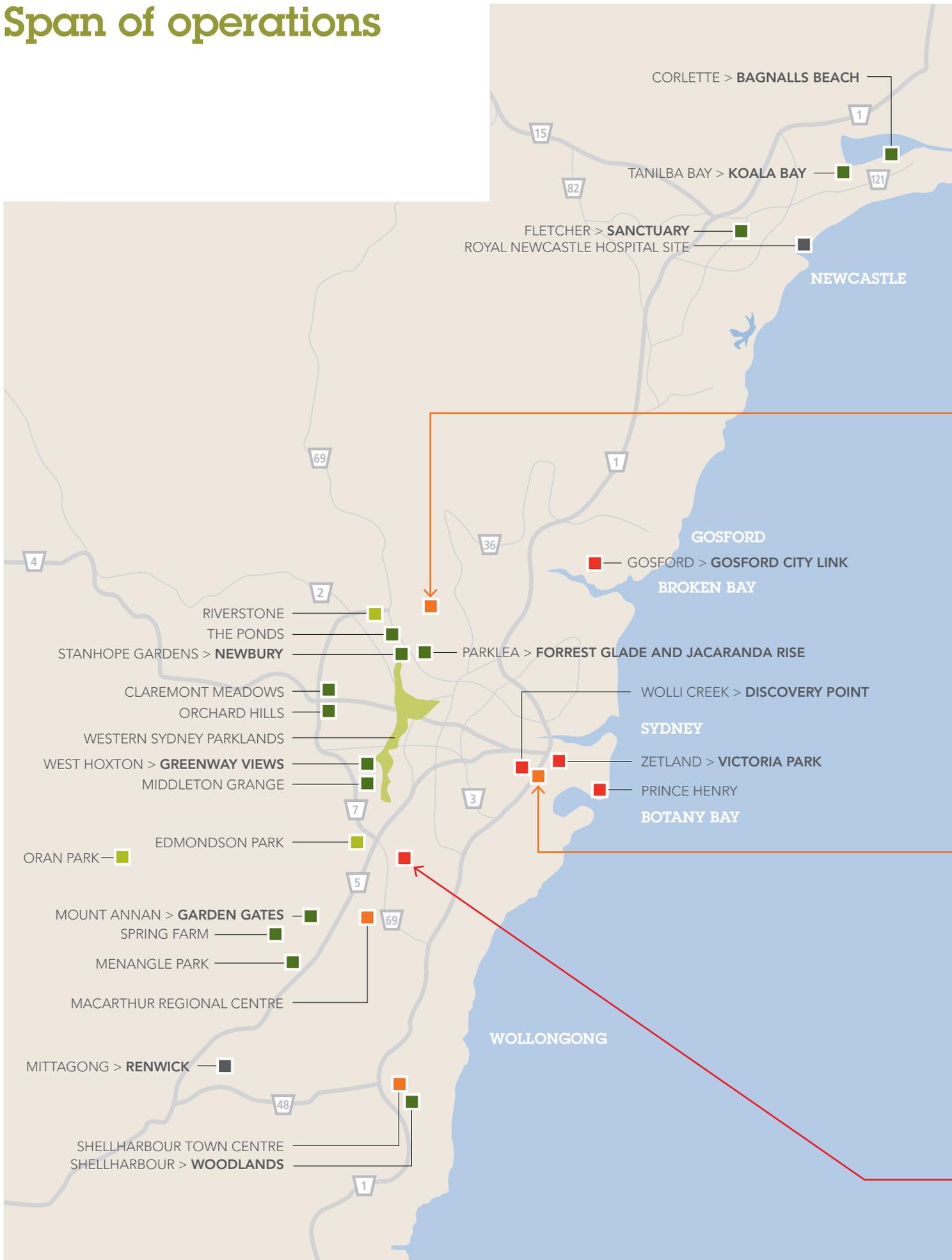
Kerry also manages Landcom's Commercial and Industrial Business Unit.



Victoria Park

From planning
to action
– a portfolio of
Landcom operations

Span of operations



THE NEW ROUSE HILL > REGIONAL CENTRE

Lower ecological footprint

25% less than a comparable town centre



250,000 people

will be served by The New Rouse Hill
Regional Centre

GREEN SQUARE TOWN CENTRE

Green Square will comprise 120,000 square metres of office and retail floor space, providing employment for 7,000 people



A KEY ELEMENT of the Metropolitan Strategy



MINTO REDEVELOPMENT

Innovative renewal of public housing estate

LANDCOM PROJECTS

- HOUSING SUPPLY PROJECTS
- URBAN RENEWAL PROJECTS
- GROWTH CENTRE PROJECTS
- MAJOR CENTRES
- COMPLEX GOVERNMENT ASSETS
- WESTERN SYDNEY PARKLANDS INITIATIVE

- 1 PRINCES HIGHWAY
- 2 M2 MOTORWAY
- 3 KING GEORGES ROAD
- 4 M4 MOTORWAY
- 5 M5 MOTORWAY
- 7 M7 MOTORWAY
- 15 NEW ENGLAND HIGHWAY
- 36 NORTHERN ROAD
- 48 ILLAWARRA HIGHWAY
- 69 WILBERFORCE ROAD
- 82 BRANXTON ROAD
- 121 NELSON BAY ROAD

URBAN RENEWAL PROJECTS



Minto Renewal Project

Location: Ben Lomond Road, Minto
LGA: Campbelltown
Area: 84 ha

Development Proposed: Over 1,100 dwellings, reconfigured road system, six public reserves and a multi-use community facility.

Landcom's Role: Landcom is partnering with the Department of Housing and Campbelltown City Council to redevelop an existing public housing estate at Minto. Landcom has negotiated the development management agreement and site masterplan that will deliver the redevelopment and is funding and managing the project, providing a model for addressing other public housing estates.

Current Status: This project is in the delivery phase. The site rezoning was gazetted in December 2006 and construction works for Stage 1 commenced in May 2007.

Key Features: The redevelopment will revitalise and transform the estate's poor physical and social environment. It will provide much greater housing and socio-economic diversity, reducing the proportion of public housing and addressing the issues that have troubled this estate in the past.



Victoria Park

Location: Joynton Avenue, Zetland
LGA: City of Sydney
Area: 25.2 ha

Development Proposed: Approximately 2,500 dwellings, 35,000 sqm of commercial and retail area, open space and community facilities.

Landcom's Role: Landcom has masterplanned, developed and marketed the entire estate, with the delivery of built form on individual superlots being undertaken by the private sector in accordance with Landcom's detailed requirements.

Current Status: This project is well into the delivery phase with over 1,200 apartments already delivered on site along with key infrastructure, small retail, community facilities and open space.

Key Features: This award winning project is one of Landcom's most ambitious undertakings and has been the catalyst for the massive redevelopment now occurring in and around Green Square. The project is designed to accommodate a rapidly changing housing market and caters for a wide range of housing types. It has been used to develop and prove a range of cutting edge design and environmental features now being rolled out across Landcom projects.

MAJOR CENTRES



Green Square Town Centre

Location: Above Green Square Railway Station, Zetland
LGA: City of Sydney
Area: 14 ha

Development Proposed: 410,000 sqm of mixed-use floor area, comprising around 2,850 dwellings and 120,000 sqm of commercial and retail area – to be built around a series of major public plazas and associated community facilities.

Landcom's Role: Landcom has resolved the complex planning, site and infrastructure constraints that were frustrating the project and has consolidated a development site at the core of the Town Centre that is of sufficient scale to attract private sector interest in delivering the proposed redevelopment.



Prince Henry

Location: Anzac Parade, Little Bay
LGA: Randwick
Area: 83 ha

Development Proposed: Redevelopment of former Prince Henry Hospital featuring 900 dwellings, restoration of 19 heritage buildings, conservation of 4.2 ha of Eastern Suburbs Banksia Scrub, onsite community facilities and open space.

Landcom's Role: Landcom has masterplanned the entire estate, with the delivery of built form or individual super lots being undertaken by the private sector in accordance with Landcom's detailed requirements.



Macarthur Regional Centre

Location: Surrounding Macarthur Railway Station, Campbelltown
LGA: Campbelltown
Area: 148 ha

Development Proposed: Up to 2,400 dwellings, public open space (including Marsden Regional Park), rehabilitation of Birunji Creek riparian corridor, aged care, medical and community facilities.

Landcom's Role: This is an amalgamation of three separate projects which capitalise on access to transport, shopping and community facilities around the Campbelltown/Macarthur Regional Centre.

Current Status: Landcom's Park Central development is in the delivery phase and well advanced, while delivery of Landcom's Macarthur Gardens project has commenced under a partnering arrangement with Stockland. The UWS Campbelltown project, a proposed partnering arrangement between Landcom and the University of Western Sydney, is in the planning phase.

Key Features: These projects help implement the Macarthur Regional Strategy, and set new standards in housing diversity, providing a practical demonstration of the Government's preferred model for future development across the Growth Centre.



Current Status: This project is about to enter the delivery phase. Landcom has entered into a formal partnering arrangement with Sydney City Council to deliver the Town Centre. The site rezoning to give effect to Landcom's proposals was gazetted in December 2006. Detailed design is currently underway for the infrastructure and public domain. Strong private sector interest has been shown in the project and in February 2007, Landcom sought interest from the development industry to partner in delivering the Town Centre.

Key Features: Green Square Town Centre is identified as a "planned major centre" in the Metropolitan Strategy and is strategically located at the heart one of the largest redevelopment areas in the country. The development will showcase world class urban renewal, underpinned by sustainable environmental, social and economic outcomes. The project is expected to accommodate 5,000 residents and 7,000 workers, providing \$1.7 billion of direct investment in New South Wales.

WESTERN SYDNEY PARKLANDS INITIATIVE



Bungarribee Development Precinct – Doonside and Parklands

LGA: Blacktown

Area: Bungarribee Parkland – 300 ha
Doonside – 88 ha

Development Proposed: The Parklands Bungarribee Precinct will be the main community recreation hub for both active and passive recreation in the northern part of the Western Sydney Parklands. The Doonside residential development will be a neighbourhood adjacent to the Parklands Bungarribee Precinct.

Landcom's Role: Landcom is project managing the concept approval and rezoning for the Bungarribee Parklands and the Doonside residential development on behalf of the Department of Planning.

Current Status: A concept application is currently being assessed by the State Government.

Key Features: Proceeds from the Doonside development will ultimately be used for development of the Regional Park.



Shellharbour Town Centre

Location: Memorial Drive, Shellharbour

LGA: Shellharbour

Area: 12 ha

Development Proposed: 15,000 sqm retail and commercial area, 100 dwellings, a cinema and a public park.

Landcom's Role: Landcom has planned and delivered the base line infrastructure, allowing the private sector to develop new retail, commercial and entertainment facilities in accordance with strict design guidelines.

Current Status: The Shellharbour Town Centre project is in the final stages of development.

Key Features: Landcom has used its Shellharbour Town Centre site to integrate a "main street" style retail and entertainment precinct within an existing commercial centre serving a sub-regional population of over 100,000. The main street has developed into a central focus for the entire Town Centre, connecting two previously disconnected "centres" to the east and west.



The New Rouse Hill

Location: Windsor Road, Rouse Hill

LGA: Baulkham Hills

Area: 122 ha

Development Proposed: Up to 1,800 dwellings, 200,000 sqm retail and commercial area, community and recreation facilities, and 32 ha of public open space including 27 ha of riparian corridor conservation area.

Landcom's Role: Landcom, in a partnering arrangement with the Department of Planning, Lend Lease and the GPT Group, is managing the project on the Government's behalf and has developed the project delivery framework.



Current Status: This project is in the delivery phase and construction is progressing rapidly. The Town Centre will open progressively from September 2007.

Key Features: This \$1.5 billion regional centre will cater for the future demands of the North West Growth Centre and will eventually serve a regional population the size of Canberra. The centre is not enclosed and is based on a "Main Street" model. Despite its size, the project has a significantly smaller ecological footprint when compared to similar sized centres.

HOUSING SUPPLY PROJECTS



Sanctuary

Location: Minimi Road, Fletcher
LGA: Newcastle
Area: 119 ha

Development Proposed: 690 dwellings, riparian corridor, biodiversity conservation areas, community facilities and community centre.

Landcom's Role: The estate is being developed in a partnering arrangement with the private sector in accordance with Landcom's detailed masterplan and development parameters. The development is providing an important source of greenfield land and housing supply in the Hunter Region.

Current Status: This project is in the delivery phase. Urban Pacific has been selected as Landcom's private sector partner to provide the key infrastructure and to deliver the built form.

Key Features: Solar water heating, integrated water cycle management, the incorporation of moderate income housing and community development initiatives.



Greenway Views

Location: Carmichael Drive, West Hoxton
LGA: Liverpool
Area: 20 ha

Development Proposed: 300 dwellings, a high school, riparian corridor rehabilitation, embellishment of local playing fields and provision of a cycleway along the adjoining Western Sydney Parklands.

Landcom's Role: The estate is being developed in a partnering arrangement with Australand. It provides an important and immediate source of greenfield land and housing supply pending further releases in the South West Growth Centre.

Current Status: This project is in the delivery phase. Development approval for the entire estate has been granted and construction is underway. The first lots were released in 2005 and the high school opened in February 2006.

Key Features: The development adjoins the Western Sydney Parklands and features fully rehabilitated riparian corridors and wetland areas. BASIX water and energy efficiency targets were incorporated well before these targets were introduced. A renewable energy initiative has also been included, which will provide 16 KW solar power generating capacity within the estate and solar water heating.



Menangle Park

Location: Menangle Road, Menangle Park
LGA: Campbelltown
Area: 300 ha

Development Proposed: Up to 2,200 dwellings.

Landcom's Role: Landcom, a major land owner within the area, is working with Campbelltown City Council and multiple State agencies to resolve outstanding planning and environmental constraints prior to rezoning. The Menangle Park release area will provide an important source of greenfield land supply in Sydney's southwest.

Current Status: Landcom and Campbelltown City Council are undertaking a number of detailed planning studies to determine the future footprint for any urban development.

Key Features: This project is currently in the planning phase.



The Ponds

Location: Hambledon Road, Schofields
LGA: Blacktown
Area: 330 ha

Development Proposed: 3,200 dwellings, around 88 ha of contiguous open space including 60 ha of riparian and biodiversity corridors.

Landcom's Role: Landcom is acting as masterplanner and developer. Part of the project is being developed in a partnering arrangement with Australand and provides a crucial source of housing supply while future land releases are planned and developed in the North West Growth Centre.

Current Status: This project is in the delivery phase. Civil works for services, infrastructure and public domain are currently underway, with bushland conservation and regeneration works undertaken by Greening Australia.

Key Features: The development features a major open space, including conservation and riparian corridors. A package of financial and other incentives has also been developed to encourage residents to invest in energy efficient initiatives, including solar power. The project will deliver a substantial upgrade to Schofields Road, connecting Rouse Hill Regional Centre to the Blacktown-Richmond rail line.



Middleton Grange

Location: Mclver Avenue, Middleton Grange
LGA: Liverpool
Area: 40 ha

Development Proposed: 655 dwellings, public open space and riparian corridor rehabilitation.

Landcom's Role: This estate is being delivered in a partnering arrangement with the private sector. Landcom has used the project to leverage planning and environmental outcomes that benefit the broader development industry (e.g. delivery of the bulk infrastructure to the entire Southern Hoxton Park release area, including recycled water).

Current Status: This project is entering the delivery phase. Development consent for the first stage has been granted and a private sector development partner is being sought to assist in delivery. Construction of the first stage is to commence in late 2007.

Key Features: The estate will feature a Demonstration Village designed to improve market awareness of the benefits of sustainable building design and "lifecycle" housing concepts. It is linked to nearby Greenway Views by a Landcom sponsored cycleway system developed through the adjoining Western Sydney Regional Parkland.



Mt Annan/Spring Farm

Location: Mount Annan
LGA: Camden
Area: 120 ha

Development Proposed: 2,060 dwellings across both sites, public open space, neighbourhood centre and community facilities.

Landcom's Role: Mount Annan and Spring Farm are adjacent Landcom owned sites that provide an important source of greenfield land and housing supply in the southwest. Mount Annan is being developed by Landcom while Spring Farm is to be developed in a partnering arrangement with the private sector.

Current Status: Landcom has been active in this area over the past decade, resolving environmental constraints, addressing site masterplanning and coordinating infrastructure delivery. Mount Annan is in the delivery phase, with land and housing sales underway. Landcom is currently constructing services and infrastructure to Spring Farm.

Key Features: Lake and wetland system, walking trails, conservation of threatened species, integration of diverse housing product around neighbourhood centre.

GROWTH CENTRE PROJECTS



Oran Park

Location: The Northern Road, Oran Park

LGA: Camden

Area: 200 ha (approx)

Development Proposed: Over 2,000 dwellings, town centre, public open space, riparian conservation corridors, community facilities and schools.

Landcom's Role: Landcom is partnering with the Greenfields Development Company to develop the largest landholding within the South West Growth Centre and among the first planned for release. Landcom's role is to deliver the first 2,000 lots in the larger, 8,000 lot Oran Park Precinct.

Current Status: This project is in the planning phase. Construction of the first homes is anticipated to commence in 2009.

Key Features: This project represents a unique opportunity for Landcom to work with the Growth Centres Commission to coordinate the major infrastructure required for the Growth Centre. It enables Landcom to set the benchmark on dwelling density, urban design, infrastructure and town centre delivery for the development that will follow.



Edmondson Park

Location: Camden Valley Way, Hume Highway and Zouch Road, Edmondson Park

LGA: Liverpool

Area: Entire release area – 795 ha, of which Landcom owns 100 ha

Development Proposed: A major release area situated within the South West Growth Centre, with potential for 7,500 dwellings, a town centre comprising 25,000 sqm of retail and commercial area, community facilities, schools and 150 ha of regional open space (including 116 ha of endangered Cumberland Plain Woodland). Landcom's landholdings will deliver approximately 800 dwellings.

Landcom's Role: The release area is highly fragmented and Landcom has coordinated and forward funded release area wide rezoning, precinct and infrastructure planning on behalf of all landowners.

Current Status: This release area is in the planning phase. The local environmental plan supporting the rezoning of the entire release area was gazetted in March 2006.

Key Features: A regional park that encircles the Town Centre, extensive riparian corridors, a bus/rail interchange located in the heart of the Town Centre, good access to nearby M5 and M7 motorways and bus transit-way.



Riverstone Scheduled Lands

Location: Windsor Road, Riverstone

LGA: Blacktown

Area: 300 ha

Development Proposed: Around 2,500 dwellings, environmental conservation area, associated community and other facilities.

History: This area was subdivided into small rural landholdings in the 1880s and comprises nearly 3,600 lots with an estimated 550 landowners. Most lots have limited rural services and no dwelling entitlement. Earlier attempts to consolidate the area to enable urban development to proceed were unsuccessful.

Landcom's Role: Landcom is acting as a development facilitator, developing an innovative model to facilitate orderly development.

Current Status: Landcom has produced a unique development model that addresses the problem of fragmented land ownership and is currently working with landowners and major stakeholders, seeking support for the model.

Key Features: The model that Landcom is developing, if successful, will have application in other areas, wherever land ownership is fragmented.



Newbury

Location: Old Windsor Road,

Stanhope Gardens

LGA: Blacktown

Area: 157 ha

Development Proposed: 1,800 dwellings, district shopping centre, leisure and community facilities, open space and two schools.

Landcom's Role: Landcom's original masterplan and detailed design guidelines ensured that greater prominence was given to solar orientation and energy efficient house design. These principles are now being delivered throughout the estate by Mirvac, in a partnering arrangement with Landcom.

Current Status: Newbury is nearing completion and housing sales are underway. Most major community facilities have been delivered.

Key Features: This project set a new benchmark in the standard of urban design within release areas, and features a range of densities, a district shopping centre and aquatic centre. Newbury provides an important source of greenfield land and housing supply while future land releases are planned and developed within the North West Growth Centre.



Renwick

Location: Bong Bong Road, Mittagong

LGA: Wingecarribee

Area: 116 ha

Development Proposed: 600 dwellings, village centre including retail, childcare and community facilities, 30 ha of open space including parks, local woodland and extensive riparian corridor.

History: Former child welfare facility.

Landcom's Role: Landcom is managing the planning and redevelopment of the site in a partnering arrangement with the site owner, the NSW Department of Community Services.

Current Status: This project is in the planning phase, with the site being rezoned for urban purposes in July 2007. Subject to approval, construction of the first stage is anticipated to commence by late 2007.

Key Features: The site represents an important opportunity for Landcom to demonstrate its development capability in an emerging regional market. The proposal will feature a range of social and environmental sustainability initiatives and aims to respect and reinterpret the unique highlands character. The development is intended to promote a healthy lifestyle, with the site masterplan incorporating the Heart Foundation's "Healthy By Design" guidelines.



Royal Newcastle Hospital

Location: Shortland Esplanade, Newcastle

LGA: Newcastle

Area: 1.28 ha

Development Proposed: Redevelopment of Royal Newcastle Hospital site comprising up to 450 dwellings and 3,000 sqm of commercial space.

Landcom's Role: Working closely with the Department of Health, Landcom is delivering a landmark residential project that sets the standard for Newcastle in terms of project scale, design and environmental sustainability.

Current Status: This project is in the final planning stages. Landcom has submitted a concept plan for approval under the Environmental Planning and Assessment Act. Mirvac has been selected to partner with Landcom to deliver the project.

Key Features: This project is a unique opportunity for Landcom to convert a redundant health facility to apartments and associated commercial/retail uses – demonstrating cutting edge design at the heart of a regional city while still respecting the site's heritage significance and sensitive beachfront location.

From planning
to action
– highlighting
Landcom's role
in Sydney's future
growth



Park Central



We reviewed our operations and our overall business approach during the year.

Confirming our place in delivering Sydney's growth

The strategic framework for urban growth in NSW has come under considerable review recently, and many initiatives are relevant to Landcom. These include the Government's Metropolitan Strategy for Sydney, a number of significant reforms to the planning system as well as the State Plan, which was released in November 2006 and which sets out the Premier's vision for NSW over the next decade.

Since our business direction is set by Government policy, we reviewed our operations and our overall business approach during the year, in order to ensure that we remained closely aligned to the Government's objectives for metropolitan growth. We focused, in particular, on our ability to leverage metropolitan outcomes through our projects, in line with the strategic context that the Government has provided.

The work was a continuation of the "quiet evolution" that has been taking place within Landcom over the past decade, forming part of a longer term realignment of our business. This internal review of our operations encompassed the following:

- A sustained shift towards urban renewal projects, recognising that the Government intends for this form of development to account for between 60% and 70% of new dwellings across the metropolitan area over the next 25 years.
- A renewed focus on projects that act as a model for future developments, particularly "proof of concept" projects that would not have occurred without Landcom's intervention, such as Edmondson Park Town Centre and Riverstone.
- A greater emphasis on projects having strategic outcomes extending well beyond their immediate area of influence (projects like Oran Park and Edmondson Park release areas).
- The use of State Government assets as the catalyst to produce more significant outcomes, similar to the Green Square Town Centre model.
- The development of more formal partnerships with local government, wherever our development outcomes are found to be mutually beneficial.
- The continuation of our sensible program of strategically divesting projects and assets to enable us to focus more closely on the Government's new urban management strategy.

This exercise has encouraged us to clearly articulate our business approach and, while the adjustments to our business have been minor, we emerged from this process with a clearer purpose and a closer alignment to the Government's vision for metropolitan growth.

A "quiet evolution"

Landcom's ability to adapt and change in order to meet new challenges is part of its strength.

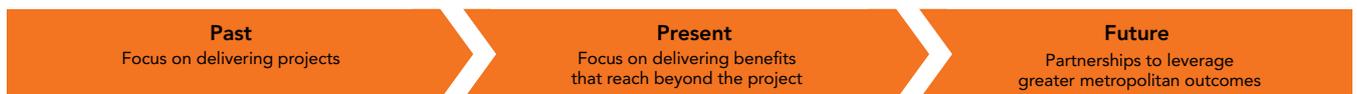
Having evolved beyond simply developing projects and putting people into homes, we are looking further afield and taking on the big issues too. For example, we are increasingly bringing people, jobs and transport together. Within many of our greenfield projects, as well as at Rouse Hill and in the Macarthur, we are promoting tighter integration of public infrastructure, developing new models for sustainable development and encouraging stronger coordination across Government.

We are also applying our proven business approach to deliver outcomes on a more strategic level, using our projects such as Green Square as a mechanism for enlisting the support of the private sector, local government and state agencies as partners in the process.

Landcom's "quiet evolution" is continuing. By working on transit oriented developments that bring jobs closer to people, we are also aiming to reduce greenhouse gas emissions through the wider use of public transport. Looking further ahead, we want to address community health issues by promoting developments that encourage healthy living.

Our future success rests with our skill in marshalling our projects to leverage even bigger metropolitan outcomes, better synchronise major infrastructure decisions and to promote closer inter-government coordination.

Landcom's "Quiet Evolution"



Green Square Town Centre – moving ahead

Landcom has fast tracked an acceptable solution for Government and a viable proposal for the development industry.

 **A KEY
ELEMENT of the
Metropolitan
Strategy.**

The development of the Green Square Town Centre is a key element of the Metropolitan Strategy. The project is critical to future growth within the strategic City to Airport Corridor – an area that already supports some 500,000 jobs, making it the dominant economic hub, not only of Sydney, but of the entire country.

Positioned at the heart of this corridor and above Green Square Railway Station, the future Town Centre is ideally located between the CBD and the airport – close enough to accommodate employment overflow from the city and large enough to stimulate further investment and economic growth within this highly strategic corridor.

This massive redevelopment entered an exciting new phase during the year. With an endorsed development plan, a clear infrastructure strategy and with certainty about the development outcomes now in place, Landcom moved rapidly to build momentum for the delivery of the new centre.

In December 2006, the site rezoning needed to deliver Landcom's proposals was gazetted. Following this, we held a public launch of the project in February 2007, which introduced a \$1 billion development offering to the market. This development is designed to deliver the most important elements of the Town Centre. We then began an expression of interest campaign to identify a private sector organisation to partner with us in delivering the centre. A high level of interest has already been shown in the project.

A complex project

While there has been strong interest from the private sector willing to invest in the area for some time, the Town Centre site has suffered from a number of constraints that have frustrated progress. The area is in fragmented ownership, with multiple landowners. A major upgrade in essential infrastructure (especially drainage) is required to accommodate the proposed redevelopment and a critical arterial road realignment, combined with underground access to the railway station is needed to get the plans off the ground.

Without greater certainty and a demonstrable Government commitment to the project, until recently it seemed likely that future development would stall, taking more than 20 years to deliver the Government's vision.

A partnered solution

Working in close partnership with the Sydney City Council, we have negotiated a whole of Government approach for the project – assembling a major development site at the core of the Town Centre into a single market offering. This has provided the incentive needed to “kick start” the redevelopment of the entire area.

The landholding comprises sites formerly occupied by NSW Police and the Roads and Traffic Authority. Reflecting the spirit of cooperation that has developed around this project, the development site was expanded during the year to include the City Council's Bourke Street Depot and the former Waterloo Incinerator site – purchased by Landcom to enhance the market offering.

The advantage of Landcom's scheme is that it is big enough to resolve the site constraints that have so far prevented development. It also provides a clear demonstration of the Government's ability to deliver the kind of complex urban renewal projects envisaged in the Metropolitan Strategy.

From plans to reality

The task ahead is challenging.

The Town Centre is one of the few strategic locations able to accommodate large increases in density. When complete, the Town Centre site will comprise 2,850 apartments, 120,000 sqm of office and retail space as well as 15,000 sqm of public open space, all based around the Green Square Railway Station.

The largest public space will be equivalent in scale to Martin Place in the city and the Town Centre is forecast to create 7,000 new jobs and homes for 5,500 new residents. It will be the commercial, transport and cultural hub for the surrounding 280 ha Green Square Redevelopment Area.

Landcom's role is to broker agreements between developers and landowners for the large scale construction projects that will eventually complete the mini-city like a jigsaw puzzle. We are also acting as development manager on behalf of the City of Sydney to deliver essential infrastructure and public domains within the Town Centre. This includes the landscaped open spaces, a new library and an aquatic centre – all funded by developer contributions. It will also include important "green" initiatives such as stormwater harvesting and "sewer mining".

By skilfully leveraging the Government's land assets, Landcom has fast tracked an acceptable solution for Government and a viable proposal for the development industry – with the coordinated delivery of the key components of the Town Centre now assured.

Green Square Town Centre



The New Rouse Hill – from plans to reality

»» **\$1.5 billion**

Regional Centre nearing completion.

The Town Centre
turns the concept of
the conventional
shopping mall
“inside out”.

Landcom, in a partnering arrangement with the Department of Planning, Lend Lease and the GPT Group, is managing the development of The New Rouse Hill, a \$1.5 billion regional centre set to become the business, transport and social hub of Sydney's rapidly growing northwest.

Serving a population in excess of 250,000, the heart of The New Rouse Hill will be the Town Centre, a mixed-use retail, residential, entertainment and commercial complex featuring state of the art environmental, social and transport infrastructure.

The Town Centre turns the concept of the conventional mall “inside out” – combining the traditional outdoor shopping street experience with an integrated approach usually associated with enclosed shopping malls.

Construction of the Town Centre commenced in April 2006 and continued ahead of schedule during the year – with the commercial and retail areas, residential precincts, apartments, major infrastructure, library and related community facilities all beginning to take shape. By May, construction had reached full capacity, when a total of 800 workers were employed on the site.

The Town Centre will open progressively for the people of northwestern Sydney from September 2007, and the first of over 4,500 new residents are expected to move into the development early in 2008.

A Landcom benchmark project

Rouse Hill is one of Landcom's flagship projects and demonstrates how well Government and the private sector can work together to achieve the best possible outcome for all parties, while also delivering significant value to local communities, both now and in the future. Our experience working on this project has enhanced Landcom's reputation and credentials and paved the way for our involvement in other “metropolitan outcome” projects.

Landcom's role has been to manage the interface between the private sector partners chosen to deliver the project and the fulfilment of key Government objectives. These included the integration of transport, business, housing and social infrastructure and the need to develop new approaches to sustainable development.

We drew on our experience in blending development objectives with sustainable practices in order to set challenging urban design and sustainability benchmarks for the project. We then set about negotiating with the private sector on the best way to achieve them

The plans take shape

The outcome is impressive.

With over 200 specialty shops, a range of major retailers, leisure and dining facilities and over 100 apartments in the first stage, the Town Centre combines traditional, “main street” retailing with leading edge technology and world's best practice in sustainable living.

Rouse Hill Town Centre



One of the project's most notable features lies below ground. The Town Centre will sit over a huge underground carpark for 2,500 vehicles. This not only provides weather protection for cars and shoppers, it also means that most of the area above ground can be set aside for pedestrians.

Equally important, a critical mass of associated facilities will be incorporated within the centre from day one, including apartment living, a comprehensive web of social infrastructure and fully integrated access to public transport.

The first 104 apartments are being constructed concurrently with the Town Centre and a primary school and child care centre are already operating. Work is well advanced on recreational spaces including a Town Square and an open air marketplace, restaurants, cafes, a large Council library, community centre and cinemas.

These features, when combined with the centre's pedestrian friendly focus, will provide a much needed sense of community and will help make Rouse Hill a vibrant "after hours" destination.

Despite its greenfield location, Landcom has ensured that the centre will benefit from a public transport system that is not only fully incorporated into the development now, but will continue to improve and grow into the future.

A "bus only" T-Way to the site will be finalised in time for the centre's opening, providing a direct, express bus link to Parramatta. The T-Way system will terminate within an

integrated transport interchange located on-site, providing for the direct transfer of passengers from the T-Way to the local bus network. We have also planned for the future growth in public transport facilities by making provision for a rail corridor and station on the site – in readiness for the northwest rail line planned within the next decade.

Above all, an ambitious approach to environmental sustainability has influenced almost every initiative.

In spite of its scale, the Town Centre's "eco footprint" will be about 25% less than a comparable retail/commercial centre. This has been achieved through the innovative use of environmentally friendly building materials, a 25-30% reduction in water and energy use and by promoting behavioural change among tenants.

This "sustainability culture" includes the installation of a user pays system for air conditioning, energy sub-metering for major tenants and motion sensors for all service areas. Most public areas are to be naturally lit and ventilated and will feature an innovative system of sun louvres and shade devices designed to maximise sun penetration in winter and provide plenty of shade in summer.

With the Town Centre now nearing completion, the people of northwestern Sydney will soon experience the tangible benefits of Government and the private sector working together.

Rouse Hill timeline

Jul 02	Landcom seeks private sector interest in developing Town Centre
Oct 03	Lend Lease/GPT confirmed as project partners
Jan 05	Ironbark Primary School opens
Jun 05	Town Centre masterplan approved
Feb 06	Project Agreement becomes "live"
Mar 06	Official commencement of construction (sod turning)
Jul 06	First residential precinct of 340 homes approved
Aug 06	First concrete pour on Town Centre site
Sep 06	Commencement of work on Windsor Road upgrade
Dec 06	Commencement of work on library construction
Jan 07	Commencement of work on Caddies Creek regeneration
Mar 07	T-Way opens
May 07	Construction shell for apartments completed
	Construction reaches full capacity (800 workers onsite)
Jun 07	
Oct 07	Stage 1A retail and Transport Interchange open



Minto

– a new beginning

The aim is to improve the social and physical environment, create safer streets and public areas, and to provide for a more diverse community.

»» We are working in partnership with the Department of Housing and Campbelltown City Council.

Landcom commenced work this year on the redevelopment of the Minto Housing Estate, a State significant project in South West Sydney.

Working in partnership with the Department of Housing and Campbelltown City Council, the project involves the complete renewal of the estate, resulting in a strengthened and vibrant local community and a dramatically improved physical environment.

A “whole of Government” approach

The Minto Housing Estate is a challenging issue for Government. Originating from the late 1970s, the estate has been beset by high maintenance costs, social disadvantage, a poor network of open space and roads, as well as a disproportionately high concentration of public housing.

In 2002, recognising that the estate provided an unfavourable standard of accommodation for tenants, the Minister for Housing announced that Minto would need to be redeveloped in its entirety. However, the social disruption caused by the redevelopment, its complexity and the cost to Government in implementing the project were all stumbling blocks that had to be overcome.

There was a wider agenda too. A successful outcome for Minto would provide a model for the redevelopment of other public housing estates facing similar issues.

Clearly, a genuine “whole of Government” approach was needed.

While the project’s complexity initially threatened to frustrate progress, Landcom provided the development and financial expertise necessary to broker the Development Management Agreement that will now deliver the redevelopment.

This Agreement, executed in December 2006, is essentially a commercial arrangement between Landcom, the Department of Housing and Campbelltown City Council. However, it is not a conventional development agreement. While the three parties have a financial stake in the project, they have also agreed that the social benefits in delivering the redevelopment outweigh all other considerations.

At the heart of this Agreement is the site masterplan, which represents the vision for the redevelopment. This provides for:

- The demolition of over 800 homes in the original estate and the refurbishment of 176 existing cottages.
- A complete redesign of the existing road layout, open space system and community facilities.

Minto renewal



- The delivery of 1,161 dwellings within the newly configured estate, including aged units, moderate income housing and public housing as well as private dwellings.

The high concentration of public housing is to be reduced and reinstated elsewhere, with around 70% of the completed estate to be sold to private owners. The remaining dwellings will either be rebuilt or refurbished as public housing and integrated throughout the project. There will be no net loss in public housing across greater western Sydney arising from the redevelopment.

The masterplan provides for a new \$10 million system of landscaped open space, a reconfigured and fully landscaped street system and \$1.5 million has been earmarked for the construction of new community and childcare facilities.

The aim of the redevelopment is to improve the social and physical environment within the estate, create safer streets and public areas and to provide for a more diverse community. While Department of Housing

tenants displaced by the redevelopment are being relocated, the best elements of the existing social fabric will be retained through the retention and refurbishment of almost 200 homes.

Landcom's role is to manage the entire site development process, including all project construction works and future sales and marketing initiatives.

The Department of Housing and Campbelltown City Council are both contributing their landholdings to the partnership. The Department of Housing is also responsible for replacing and renovating the public housing and supporting existing residents through the rehousing process.

Involving the community

Throughout the year, Landcom played an important role in regular interagency and community forums. We provided residents and service providers with an opportunity to review what is happening, and, in return, we developed an insight into the services that the new community will need.

We also made a commitment to the wider Minto community – by teaming interested young people from the local high school with the builders, civil contractors and landscape contractors working with us on the project. Together, we are providing students with valuable “hands on” experience, helping them get a better understanding of career options within the building industry.

A bold initiative

The Minto Renewal Project is a bold initiative for Government and a unique opportunity for Landcom.

We are assisting Government to address serious and long-standing social and financial difficulties associated with the Minto estate, while also achieving a good outcome for the local community. We will be delivering significant improvements to the social sustainability of the entire area over the long term, while still operating in a commercially responsible way.



Minto kids having their say on new play equipment for Redfern Park



Working behind the scenes – supporting Sydney's land supply

Unlocking opportunities for the private sector.

We support the steady release of land for housing by facilitating opportunities for private sector development.

While Landcom's focus in the 1970s and 1980s was primarily on greenfield residential development, our role today is to implement critical elements of the Government's urban management strategy.

This means that we are increasingly concentrating on urban renewal projects. However, we still have an important role to play in the development of greenfield residential and employment areas.

We quietly work "behind the scenes", supporting the steady release of land for housing by facilitating opportunities for private sector development – using our own developments to generate outcomes that benefit the whole community.

Leveraging outcomes in Sydney's southwest

Southern Hoxton Park is a major land release located near Liverpool, with potential for 2,300 lots. Our Middleton Grange development at Southern Hoxton Park will only deliver around 35% of this total potential. However, we have used it to leverage much wider outcomes. For example:

- We have forward funded and constructed sewer carrier mains and water lead-in mains for the entire release area, unlocking the whole area for development.

- We have used Middleton Grange and our nearby South Cecil Hills Estate to negotiate an extension of the recycled water system currently being introduced at Edmondson Park to the southwest, bringing important environmental sustainability benefits to the area.
- While negotiating masterplan and rezoning proposals for Middleton Grange, we secured agreement on a water cycle management scheme and vegetation management plan for the entire release area. This meant that a global approval could be issued for riparian corridors, benefiting all landowners.
- We negotiated a three way agreement with Liverpool City Council and the Department of Planning to fund the acquisition of an environmental and drainage corridor throughout the entire release area. This avoided the need for Council to raise the funds through a developer levy, which could have made the release area economically unviable.

Delivering regional transport initiatives for the northwest

By coordinating the forward funding of \$7.2 million to facilitate the upgrade of Windsor Road, we are delivering an important regional transit corridor on behalf of the Growth Centres Commission and the Roads and Traffic Authority. This upgrade is needed to service the future development of the entire North West Growth Centre.

The funding, to be recouped over time from the development of nearby projects, also has an immediate benefit. Construction on this main road has been brought forward in time for the planned opening of the Rouse Hill Regional Centre.

Promoting release area wide planning

Landcom will deliver around half of the Caddens release area, near Penrith, however, we have collaborated with the University of Western Sydney and a number of private landholders to negotiate the rezoning of the entire area. Landcom has funded and coordinated planning studies on behalf of all landowners.

We have accomplished the same thing, but on a larger scale at Edmondson Park.

This release area, located near the South West Growth Centre, has potential for 7,500 lots and will deliver critical rail infrastructure and retail facilities to the region.

While Landcom's landholdings at Edmondson Park constitute around 10% of the area's total potential, we have joined with the largest landowner, the Department of Defence, to fund planning studies and to successfully negotiate the rezoning of the entire release area. A comprehensive rezoning of this area was unlikely to have occurred any other way, given the fragmented nature of land ownership across the area and the fact the site traverses a local government boundary.

Developing models that address fragmented landholdings

Many remaining areas suitable for urban development across Sydney are in small landholdings. These areas are unattractive or uneconomic for the private sector to develop, because of the difficulties in dealing with large numbers of landowners.

Landcom is currently negotiating with Blacktown City Council, the Growth Centres Commission, key government stakeholders and several hundred landowners on detailed precinct and neighbourhood planning within the area known as the Riverstone Scheduled Lands. If successful, the land assembly model that Landcom is developing for this area could be applied to nearby greenfield areas and fragmented urban renewal sites, benefiting the entire development industry.

Middleton Grange



Extending our influence

Our future success will be based on our ability to use our projects to leverage bigger outcomes.

During the year, the NSW State Plan was released, representing the vision for the state over the next decade.

This document provided an important benchmark for Landcom. It confirmed the direction the Corporation is already taking and established areas of focus for future initiatives.

Landcom is forward looking and we know that the future will bring new challenges. Our future success will be based on our ability to use our projects to leverage bigger outcomes.

The examples that follow show how our influence is already beginning to extend beyond that of our individual projects.

We are encouraging the development of healthier and more sustainable communities. We are also promoting education in "best practice" development, sponsoring learning opportunities for young people in disadvantaged areas, and we continue to drive the development of practical responses to environmental sustainability and climate change.

Healthier and more sustainable communities

Renwick – healthy living by design

We were among the first development organisations to consider the Heart Foundation's "Healthy By Design" guidelines in the masterplanning of our estates, using our Renwick project in the Southern Highlands to pilot this initiative. Landcom's "Healthy Renwick Strategy" integrates a series of healthy living initiatives into the design of the estate at the outset, including a safe cycleway loop to the Mittagong Town Centre and the incorporation of a new bus route to the site.

Regional cycleways in Sydney's southwest

During the year, we funded the construction of cycleways through the Western Sydney Regional Parkland, connecting our Greenway Views, Middleton Grange and South Cecil Hills Estates.

This work also links our estates to the M7 Cycleway and complements a wider cycleway network planned for the Regional Park. Construction on the cycleway system progressed rapidly during the year.

Walking School Bus

In June 2007, we launched a pilot "Walking School Bus" program for Parklea Public School. With the joint aim of encouraging more students to walk to school and to reduce vehicle movements, the program exceeded all expectations, with participation doubling within the first month of operation.



Above: Walking School Bus

Promoting education in industry best practice

Best practice guidelines:

We insist on a high standard of design for all our projects, with our earlier developments at Victoria Park and Hunterford providing important benchmarks.

We want to develop better ways of sharing our knowledge and experience – through education – using tools like Landcom’s award winning Street Design Guidelines and “My Neighbourhood” initiatives. Encouraged by our success, we have begun work on Built Form, Open Space and Community Centre Guidelines, all of which are currently in production.



Skills for young people

YouthBuild initiative at Minto

The YouthBuild Foundation smoothes the transition for young people in secondary school interested in pursuing a career in the building and construction industry.

By partnering with the Housing Industry Association, we are using our Minto Renewal Project as a catalyst, sponsoring the YouthBuild Foundation, inviting participation from students at nearby Sarah Redfern High, and calling on our builder and civil contractor partners working on the project to assist with support and training.



Green Corps training

During the year, Landcom helped 10 local young people obtain valuable life skills and practical training in bushland regeneration and land conservation, using our project at The Ponds in North West Sydney. We partnered with Australand (our development partner for the project) and Greening Australia to deliver this important local initiative. Our contribution was matched by the Commonwealth Government’s Green Corp Program.

The participants delivered some significant environmental results, regenerating 2 ha of bushland, sowing over 25,000 plants, collecting seeds and surveying local wildlife. However, the most important outcomes were a marked development of interpersonal skills and confidence in the young people who took part. Landcom and Australand provided materials as well as financial and logistical support, while Greening Australia provided mentoring services and coordinated offsite training and practical onsite experience for the participants.

Left: YouthBuild
Below left and right: Green Corps training



Extending our influence continued

Practical approaches to sustainability and climate change

Solar cities

During the year, The Ponds project was singled out for funding under the Commonwealth Government's Solar Cities Program. This enables us to provide a \$1,000 incentive for new homebuyers in the estate to install a 1 kW solar power system, each capable of reducing greenhouse gas emissions by up to 1.4 tonnes each year.

Co-generation initiative at Rouse Hill

In June 2007, funding was announced for a trial electricity co-generation scheme within The New Rouse Hill Project. The trial is to be conducted by Lend Lease/GPT, in partnership with Landcom and the Department of Planning, and will involve the installation of a gas powered co-generation unit in the basement of one of the apartment buildings.

As well as meeting peak energy demands for the building, this unit will provide, as a by product, a domestic hot water supply for individual apartments. The use of gas energy in this way delivers 85% efficiency, compared with the 35% efficiency currently achieved by conventional coal-fired power stations.

Water reuse in our projects

- The go-ahead was given during the year to build and trial a "blackwater" recycling plant within one of the apartment buildings at Discovery Point. The trial involves treating the sewage generated at the site to a standard suitable for reuse within the building for toilet flushing, irrigation, etc.
- At Prince Henry, we are using the stormwater generated on our site to help irrigate an adjoining golf course, thereby reducing the Golf Club's consumption of potable water by 206,000 kilolitres per year, the equivalent of 206 olympic-sized pools.
- At Middleton Grange, we are laying a fully integrated recycled water system throughout the estate. This dual-pipe system will allow us to take advantage of treated recycled water that will be piped directly to the site from the Glenfield Sewage Treatment Plant. The recycled water system will be used for toilet flushing, garden watering, fire fighting and so on – significantly reducing anticipated demand on Sydney's potable water supplies.

Investing in future technologies

High-speed telecommunications

Landcom believes that equal access to the information "superhighway" is an emerging social responsibility and we are currently developing a practical approach to the provision of high-speed internet and video services to our developments.

During the year, Landcom sought expressions of interest from the private sector to deliver high-speed telecommunications to a total of eight of our sites with development potential for over 13,000 homes. While none of the bids could overcome all the technological and regulatory constraints, this process has helped to focus the issues for us. Until these have been resolved, we are developing minimum wiring specifications for our dwellings and we continue to engage in the national debate on this issue. We are also sharing the knowledge we have gained with our fellow Government land owning agencies in other states.

Below: Blacktown Solar Cities Launch
Right: Discovery Point



From planning to action – Landcom’s performance results

Prince Henry – Rainwater Storage Pond



Our approach to sustainability reporting

Our commitment to sustainable development means that we aim to ensure our developments, products and services have no net adverse effect on the environment, the economy or the communities in which we operate. Landcom has adopted practices that add value and enhance community life, the environment and the economy.

WHAT SUSTAINABILITY MEANS TO US

In addition to being commercially viable, our business philosophy is guided by four sustainability principles. We endeavour to:

1. deliver a sustainable quality of life;
2. conserve resources;
3. minimise our impact on biodiversity; and
4. minimise pollution.

A number of key performance indicators and targets underpin each of these principles and are publicly reported every year.

For example, we promote a sustainable quality of life by being a socially responsible employer and by ensuring we are a socially responsible developer for our customers and the communities we serve. We measure our performance by gauging our success in this area against indicators such as community development, community consultation, heritage conservation, stakeholder relationship management, employee satisfaction, provision of moderate income housing and many more.

Indicators such as integrated urban water cycle management, energy efficiency and waste minimisation underpin our objective of conserving resources. And our efforts in reducing the impact of our operations on biodiversity are measured by indicators such as native vegetation and riparian corridor management.

INTEGRATING SUSTAINABILITY INTO OUR BUSINESS

We have integrated our sustainability philosophy into our business processes and day-to-day operations. Sustainability targets are set in our business plans and are included in the individual performance agreements negotiated with our staff.

We also pass on our sustainability performance criteria and targets as essential requirements for our private sector partners, either as part of Landcom's supplier pre-qualification process or as requirements within our tender documents and development agreements.

The sustainability criteria adopted for our partners and those for our supplier pre-qualification can be found on the accompanying CD-Rom. 

Process diagrams illustrating the integration of sustainability into our business can also be found on the accompanying CD-Rom. 

SUSTAINABILITY REPORTING BOUNDARIES

Landcom projects are monitored against sustainability criteria and performance targets through our sustainability reporting system. Detailed tracking of our projects helps us to better understand, on a practical level, what we need to do to implement our sustainability philosophy.

While we masterplan and manage major infrastructure works on most of our projects, we tend to deliver building construction through partnering arrangements with private sector developers or builders. Our products, the methods we employ to deliver these products and our ability to exercise direct control over built form outcomes have determined our sustainability indicators and reporting boundaries. For the purposes of Landcom's sustainability reporting, our projects have been divided into two groups that reflect the level of its influence and control, and are as follows:

1. Projects where the end product delivered to the consumer is "land".

Most of this land is sold to the public as individual house lots or to private business interests as industrial land. Landcom has little control over the final built form where it no longer owns the land. For these projects, the most effective control mechanism is through the development approvals process exercised by the consent authority.

2. Projects where the end product delivered to the consumer is dwellings (i.e. "built form" projects).

Landcom tends to have more control under these arrangements, especially when it delivers dwellings in a partnered arrangement with another developer or with builders. Under this scenario, Landcom can exercise additional control to promote key sustainability and urban design objectives.

Our sustainability indicators have been tailored so that they are relevant for the two types of projects referred to above. Therefore, not all indicators are applicable to all our projects. We also report on our corporate responsibility and governance performance through a series of supplementary indicators (see pages 50-51).

SUSTAINABILITY INDICATORS AND PERFORMANCE TARGETS

Landcom's sustainability indicators were developed in conjunction with our key stakeholders during an extensive consultation program conducted over 2001/2002. The details of this consultation process were reported in the "Towards Sustainability 2002" report. 

The selection of our sustainability indicators was based on the following:

- The significance and relevance of the indicator to our core business.
- Whether the indicator enables us to demonstrate a change in our performance over time.

- Our ability to exercise direct control or influence over the indicator.
- Whether the indicator could be easily understood and communicated.
- Whether clear and measurable targets could be developed to illustrate our performance against the indicator.
- The likelihood of data being readily available to enable the reporting of our performance against the indicators, as well as our ability to retrieve accurate and meaningful data from third-party sources (contractors and builders, etc).

Landcom conducted comprehensive research for a number of its adopted sustainability indicators so that realistic and measurable targets could be set. This research was necessary to ensure that Landcom, while setting robust targets, did not nominate targets that imposed an undue burden on its private-sector partners.

Adherence to our sustainability indicators is not the only means by which we deliver sustainable development. However, they are intended to give an overall picture of the potentially significant impacts of our core business. To ensure that they remain relevant to our business, they are subject to regular review.

REVIEW OF INDICATORS

Landcom has reported annually on its sustainability indicators since 2003. At the time our indicators were developed, there was no precedent to Landcom's sustainability reporting. So, without any existing methodology or benchmarks, Landcom set about creating, measuring and reporting processes. It is now time to reflect on our performance and set new benchmarks for our sustainability indicators.

Some of the targets set in 2002 may need to be revised at the end of 2008. The initial establishment of our indicators was based on our main stakeholders' interests and concerns over Landcom's business processes that were in place prior to the reporting system being established.

Many of these processes have subsequently changed, as has the nature of our overall business. Consequently, although we have included ongoing feedback from our stakeholders in our reporting, some indicators and targets may no longer serve as a true measure of our business sustainability.

In addition, in 2006/2007 we undertook an internal review with selected staff that had experience with the reporting system. The review identified that Landcom staff were particularly knowledgeable on environmental issues. However, it was found that more work is required to engage and educate staff on social sustainability issues.

During 2007/2008 we will review our sustainability framework, revisiting our stakeholders' views and the views of our staff, recognising that our business has changed since our initial consultation process took place. This review will provide an opportunity for us to further integrate our sustainability reporting system with Landcom's existing business management practices.

Along with our stakeholders' concerns, the Global Reporting Initiative's (GRI) 2002 Guidelines for Sustainability Reporting provided a further reference from which we developed our suite of indicators. In October 2006, GRI released its 3rd generation of reporting guidelines (G3). We have begun to review these guidelines against our previous sustainability reports to help us to identify gaps. Again, along with a review of our stakeholders' concerns, this process will be incorporated into our indicator review to ensure our new framework continues to be relevant and comparable on a global scale.

2006/2007 performance summary

Indicator	Description	Target	Performance					
			2006/2007	2005/2006	2004/2005	2003/2004	2002/2003	
1	Urban Water Cycle Management	Percentage reduction in water consumption compared to the base case.	40% 2008	43%	37%	43%	31%	22%
		Percentage reduction in the mean annual load of total nitrogen (TN).	45% 2008	47%	35%	21%	19%	15%
		Percentage reduction in the mean annual load of total phosphorus (TP).	45% 2008	60%	46%	38%	33%	26%
		Percentage reduction in the mean annual load of total suspended solids (TSS).	80% 2008	78%	56%	48%	45%	No data
2	Moderate Income Housing	Percentage of total yield (lots, house/land packages, dwelling units) that is delivered within the moderate income housing range.	7.5% 2008	5.1%	6.2%	12%	7%	3%
3	Effectiveness of Community Consultation	Percentage of Landcom projects where community consultation was done using a stakeholder consultation plan in accordance with Landcom's Stakeholder Consultation Workbook.	100% 2005	100%	100%	83%	55.6%	16.7%
4	Community Facilities	Number of school sites provided.	NA	1	0	2	3	0
		Number of courts for playing sport delivered (e.g. tennis, basketball/ multi-purpose sport, etc).	NA	4	1	1	6	8
		Number of community halls or community hall sites provided.	NA	2	0	0	2	9
		Number of playgrounds provided.	NA	6	2	3	4	10
5	Welcome Program	Percentage of projects with more than 200 homesites that had a Welcome Program.	100% 2008	70%	70%	62%	55%	40%
		Percentage of households that had a Welcome Program visit within 2 weeks of home occupation.	100% 2008	69%	60%	64%	96%	20%
6	Consumer Education on Sustainable Living	Percentage of projects that have marketing material that includes consumer education on sustainable living.	100% 2008	0	0	0	17% (2 out of 12 projects)	0%
7	Reuse and Recycling of Construction and Demolition Materials	Percentage of recovery (reuse and recycle) of total construction and demolition waste materials generated from civil works contracts delivered in that year.	95% 2006	99%	98%	92%	96%	93%
		Percentage of recovery (reuse and recycle) of total construction and demolition waste materials generated from building construction projects delivered in that year.	76% 2014	No data	No data	No data	No data	No data
8	Energy Efficiency	Reduction in greenhouse gas emissions, compared with base case, as per the Energy Smart Communities Policy.	40% 2008	15.7%	14.5%	15.5%	10%	6.6%

Indicator	Description	Target	Performance					
			2006/2007	2005/2006	2004/2005	2003/2004	2002/2003	
9	Influencing Design	Percentage of projects where Landcom influences the builders' product by specifying design criteria.	NA	75% (3 out of 4 projects) (Note 3)	75% (3 out of 4 projects)	86% (6 out of 7 projects)	100% (9 out of 9 projects)	77%
10	Sustainable or Renewable Energy Supply	Percentage of dwellings to be fitted with gas boosted solar hot water system.	100% 2008	17% (28 out of 161)	32% (53 out of 167)	36% (91 out of 251)	44% (99 out of 226)	0%
		Percentage of projects greater than 500 dwellings that include a component of renewable energy supply, either onsite or offsite, as per the Energy Smart Communities Policy.	100% 2008	100% (1 out of 1 project) (Note 4)	NA (Note 1)	100%	NA	NA
11	Native Vegetation Management	Loss of "high conservation significance" endangered ecological communities.	No loss	Nil cleared Nil conserved	29.4 ha cleared 119.1 ha conserved	14.0 ha cleared 30.9 ha conserved	0.44 ha cleared 9 ha conserved	NA
		Loss of "moderate conservation significance" endangered ecological communities.	No target	5.6 ha cleared Nil conserved	59.09 ha cleared 16.4 ha conserved	3.1 ha cleared 7.5 ha conserved	8 ha cleared 2.3 ha conserved	1 ha cleared 0.6 ha conserved
		Loss of "low conservation significance" endangered ecological communities.	No target	Nil cleared Nil conserved	65.4 ha cleared 18.6 ha conserved	33.5 ha cleared 14.6 ha conserved	11.9 ha cleared 6.6 ha conserved	0.15 ha cleared 4.83 ha conserved
		Area of endangered ecological communities replanted.	No target	Nil replanted	29.1 ha	63.3 ha	9.5 ha	10.4 ha
		Percentage of projects where endangered ecological communities or threatened species are found that have an appropriate Vegetation Management Plan.	100% 2008	NA	100%	100%	70%	67%
		Loss of native vegetation as potential habitat for threatened species. (Note 1)	No target	Nil cleared Nil conserved	201.1 ha cleared 179.5 ha conserved	47.9 ha cleared 52.3 ha conserved	16.4 ha cleared 10.9 ha conserved	NA
12	Riparian Corridor Management	Loss of riparian corridors for Category 1 – high significance streams.	No loss	NA	NA	0%	NA	NA
		Greater than 40 m of riparian corridor from top of bank for Category 1 – high significance streams.	100% 2008	NA	NA	100%	NA	NA
		Length of in-stream breaks resulting from Landcom's design for Category 1 – high significance streams.	No breaks	NA	NA	0 m	NA	NA
		20-30 m of riparian corridor from top of bank for Category 2 – moderate significance streams.	100% 2008	100%	100%	100%	100%	100%
		Length of in-stream breaks resulting from Landcom's design for Category 2 – moderate significance streams.	No target	0 m	0 m	0 m	0 m	775 m Realignment
		5-10 m setback from top of bank for Category 3 – low significance streams.	100% 2008	NA	100%	100%	100%	100%
		Length of in-stream breaks resulting from Landcom's design for Category 3 – low significance streams.	No target	NA	460 m piping	0 m	150 m piping	0 m
		Provide appropriate Riparian Corridor Management Plans (RCMPs) for all Landcom projects where riparian land exists.	100% 2004	100%	100%	60%	43%	50%
13	Conservation of Indigenous Heritage	Percentage of projects with indigenous heritage issues where consultation occurred.	100%	100%	100%	100%	100%	100%
		Percentage of significant indigenous heritage objects and places within Landcom projects that were conserved.	100%	NA	NA	100%	100%	NA
		Percentage of projects with significant indigenous heritage issues that have a Conservation Management Plan developed.	100%	NA	NA	100%	100%	100%

**2006/2007
performance
summary**
continued

			Performance					
Indicator	Description	Target	2006/2007	2005/2006	2004/2005	2003/2004	2002/2003	
14	Conservation of Non-Indigenous Heritage	Percentage of significant heritage items conserved (except where unsafe or contaminated).	100%	NA	100%	100%	89%	100%
		Percentage of significant heritage places conserved.	100%	100%	NA	NA	100%	100%
		Percentage of projects with heritage listed items and places that have a Heritage Conservation Management Plan.	100%	100%	100%	100%	100%	100%
15	Regulatory Compliance	Percentage of projects that have achieved full regulatory compliance with Protection of Environment Operation Act and other environment, OHS&R and planning legislation.	100%	93% (Note 2)	73% (Note 2)	93% (Note 2)	100%	100%
		Percentage of contracts that have environmental audits carried out.	100%	67%	45%	64%	85%	21%
		Percentage of civil environmental audit scores greater than 75%.	100%	100%	80%	100%	100%	89%
		Percentage of builder environmental audit scores greater than 75%.	100%	100% (5 out of 5)	11% (1 out of 9)	43%	27%	25%
		Percentage of civil environmental audit scores less than 50%.	0%	0%	0%	0%	0%	0%
		Percentage of builder environmental audit scores less than 50%.	0%	0%	89% (8 out of 9)	0%	31%	50%
16	Profitability	Sales Revenue: Revenue is the total income Landcom receives including revenue from the sale of land, profit from joint ventures, project management services and miscellaneous items.	NA	\$322,479,000	\$317,276,000	\$326,939,000	\$333,253,723	\$281,222,000
17	Profitability	Sales margin: Sales margin is calculated as sales revenue on land sales less the total cost of developing that land divided by the sales revenue.	NA	33.1%	38.9%	45%	48.8%	51.2%
18	Profitability	Return on sales: Return on sales is calculated as Landcom's net operating profit after tax divided by the total revenue from the sale of land.	NA	13.1%	14%	19.2%	26.3%	29.5%
19	Profitability	EBIT: This is calculated as Landcom's earnings before interest and tax.	NA	\$68,440,000	\$72,610,000	\$99,315,000	\$132,180,000	\$127,130,000
20	Profitability	Return on equity: This is calculated as the earnings after tax divided by total shareholder equity.	NA	11.6%	12.3%	17.2%	24.6%	26.1%
21	Profitability	Return on total operating assets: This is calculated as Landcom's profit after taxes divided by total operating assets.	NA	5.8%	6.4%	8.4%	15.1%	16.5%
22	Financing Capacity	Debt to equity ratio – measure of the amount of debt funding (net) as percentage of equity utilised by Landcom as at the end of the financial year.	NA	27.7%	18.3%	23.6%	8.0%	9.5%
23	Return to Government	Dividend and tax equivalent returned to the NSW Government during the reporting period.	NA	\$57,334,000	\$61,738,000	\$73,518,000	\$87,978,000	\$83,081,000
24	Job Creation	Total number of jobs created through Landcom's activities.	NA	6,315	6,050	7,868	5,270	4,470
		Total economic output (in \$m) generated from Landcom's activities.	NA	\$494,940,100	\$474,195,644	\$616,675,900	\$413,026,700	\$350,351,900

Note 1 "Habitat" includes endangered ecological communities where habitat is suitable for threatened species.

Note 2 No infringements were issued to Landcom itself during the reporting period. All infringements occurred as a result of contractor breaches.

Note 3 The project that did not include Design Guidelines was a 3 lot subdivision including 1 lot dedicated as open space.

Note 4 The project, at just under 500 dwellings, is considered of sufficient size to report under this indicator.

List of projects reported in 2006/2007

Project	Local Government Area	Suburb	Reporting Stage	Landcom's Product	Total Number of Lots/Dwellings Planned	Number of Lots/Dwellings Reported (Delivered in 2005/2006)	Indicators Reported in 2004/2005
Bonaccordo	Blacktown	Quakers Hill	Delivery	Built Form	36	4 dwellings	1,2,4,6,8,10
Claremont Meadows	Penrith	Claremont Meadows	Delivery	Land	2	2	1,2,4,6,9
Forest Glade	Blacktown	Parklea	Delivery	Built Form	205	Whole Site	5
Garden Gates	Camden	Mount Annan	Delivery	Land	654	71 lots	1,2,4,5,6,9
Greenway Views	West Hoxton	Liverpool	Delivery	Built Form	320	21 dwellings	1,2,4,5,6,8,10
Guardian Grove	Baulkham Hills	Kellyville	Delivery	Land	73	Whole Site	5
Jacaranda Rise	Blacktown	Parklea	Delivery	Land	99	Whole Site	5
Koala Bay	Port Stephens	Tanilba Bay	Delivery	Land	290	15 lots	1,2,4,5,6,9
Macarthur Gardens	Campbelltown	Campbelltown	Delivery	Built Form	898	30 dwellings	1,2,4,5,6,8,10
Merriville Rise	Baulkham Hills	Kellyville Ridge	Delivery	Land	211	Whole Site	5
Newbury	Blacktown	Stanhope Gardens	Delivery	Land & Built Form	1,730	52 dwellings	1,2,4,5,6,8,10
Park Central	Campbelltown	Campbelltown	Delivery	Built Form	405	59 lots	1
Prince Henry	Randwick	Little Bay	Delivery	Land & Built Form	850	13 dwellings + 35 lots	1,2,4,5,6,8,9,10
Redgum	Penrith	St Marys	Delivery	Built Form	41	12 lots	1,2,4,6
Tallowood Hills	Baulkham Hills	Kellyville	Delivery	Land	542	Whole Site	5
The Glen	Baulkham Hills	Kellyville	Delivery	Land	245	Whole Site	5
The Ponds – Stage 1	Blacktown	The Ponds	Delivery	Land	1,299	14 dwellings	1,2,4,6,8,10
Woodlands	Shellharbour	Flinders	Delivery	Land	997	27 dwellings	1,2,5,6,8,10
Bagnalls Beach	Port Stephens	Corlette	Masterplan	Land	300	Whole Site	13
Beacon Hill	Warringah	Beacon Hill	Masterplan	Land	28	Whole Site	1,3,11,12,13,14
Edmondson Park (LB)	Liverpool	Edmondson Park	Masterplan	Land	130	Whole Site	13,14
Royal Newcastle Hospital	Newcastle	Newcastle	Masterplan	Built Form	402	Whole Site	3,13,14
West Huntingwood	Blacktown	West Huntingwood	Masterplan	Land	30 (Industrial)	Whole Site	11,12,13,14

Environmental indicators

Water

INTEGRATED URBAN WATER CYCLE MANAGEMENT

Purpose

This indicator examines how Landcom manages the interaction between urban development and the water cycle including potable water, wastewater and stormwater. Landcom aims to promote water conservation and enhance water quality in existing urban catchments.

Targets

- 40% reduction in potable water use in all Landcom projects in comparison to the average typical household water use in Sydney.
- Use of non-potable water sources for public open space irrigation in all new projects.
- Achieving best practice water quality targets for stormwater runoff from all Landcom projects by 2008. The key water quality targets are 45% reduction in the mean annual load of total nitrogen (TN) and total phosphorus (TP) and 80% reduction in the mean annual load of total suspended solids (TSS).
- Maintaining post development storm discharges to the natural catchment storm discharge levels for the 1.5 year Average Recurrence Interval (ARI) event.

Results

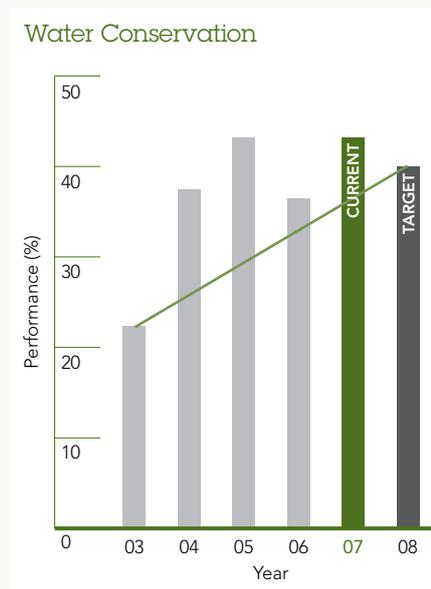
A total of 77% of all projects in delivery during the year (i.e. 10 out of 13) had project specific Water Sensitive Urban Design (WSUD) strategies in place. This result was lower than last year's result of 80%. The result indicates the inclusion of a number of legacy projects and a minor project in the reporting data.

Water Conservation

Landcom achieved a 43% reduction in potable water consumption compared to average household water use in Sydney. This was an increase from last year's result of 37% and the second year Landcom has exceeded its 2008 target of 40%.

Non-potable water was used for open space irrigation at Victoria Park, Newbury and Prince Henry.

Landcom has been working with Sydney Water over the past 12 months to examine options for providing non-potable water infrastructure to non-growth centre areas.



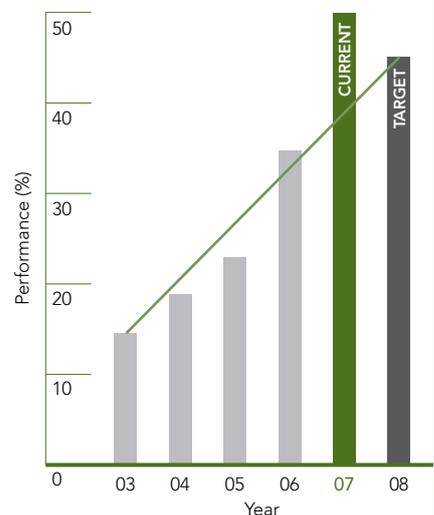
Water Quality

The WSUD measures implemented to improve water quality during the year resulted in a 47% reduction in the mean annual load of total nitrogen and a 60% reduction in the mean annual load of total phosphorus. A 78% reduction in the mean annual load of total suspended solids was also achieved.

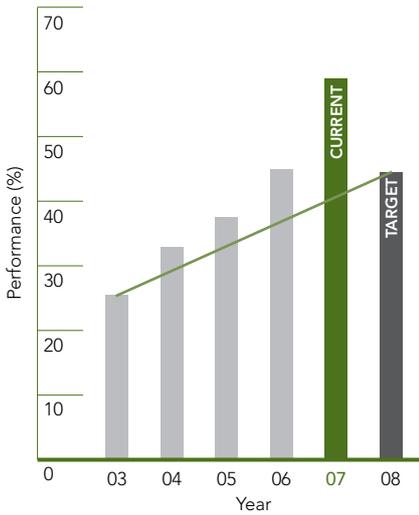
Landcom improved its performance in each of these water quality indicators this year, particularly in relation to the nitrogen indicator where we have surpassed our 2008 target of 45%, and phosphorus where we continued to improve on our performance from last year, having already exceeded our 2008 target.

There were no Ramsar listed wetlands identified downstream of Landcom projects planned or delivered during the year.

Total Nitrogen Reduction



Total Phosphorus Reduction



The premise behind the scheme was that once options for the onsite reduction in nutrient loads from a development had been exhausted, a developer could implement measures to reduce nutrient runoff at an alternative site. For example, the cost of works involved to reduce nutrient runoff from a market garden within the catchment may be lower than at the development site, or the development may be limited in space and not have the ability to meet required load reductions. In this way the developer can earn credits to help meet the runoff reduction requirements or move beyond the nutrient reduction requirements from a development site.

Landcom and Sydney Water sponsored the pilot which resulted in Landcom being credited for a 2,960 kg reduction in nitrogen and a 330 kg reduction in phosphorus.

Flow Management

Over the year, 77% of our developments provided onsite detention, either at a precinct or regional level, to manage the peak discharges of frequent storm events (i.e. up to a 1.5 year Average Recurrence Interval event). This is a slight reduction on last year's figure of 80%.

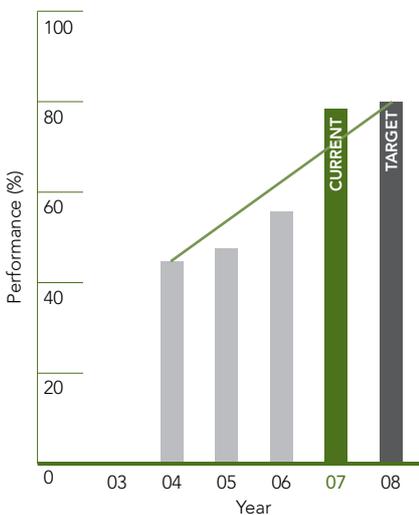
BASIX Compliance

Detached dwellings within our Woodlands, Macarthur Gardens, Greenway Views and The Ponds projects were constructed with BASIX approval and these projects achieved BASIX scores of 40 and above.

Many of our projects were approved prior to the introduction of BASIX but still complied with the BASIX 40 target. These included detached homes within our Newbury estate. Projects delivered during the year scoring below the BASIX 40 water reduction targets (i.e. remaining projects that were approved prior to the introduction of BASIX) included Quakers Hill High School (Bonaccordo), and townhouses at Greenway Views.

For further information on Landcom's water quality performance please refer to the Indicator Reports 2007 folder on the CD-Rom attached on the back page.

Total Suspended Solids



In May 2002, NSW Department of Environment and Climate Change introduced the "Green Offsets for sustainable development" initiative, which is designed to address the cumulative environmental impacts of urban runoff and industrial discharges.

Under this initiative, the department carried out a pilot nutrient trading scheme for the South Creek Catchment. The pilot project investigated offsetting nutrient loads from different landuses within the catchment to provide low cost opportunities for nutrient abatement.

Waste

REUSE AND RECYCLING OF CONSTRUCTION AND DEMOLITION MATERIALS

Purpose

Landcom aims to reduce construction and demolition waste going to landfill by promoting reuse and recycling practices.

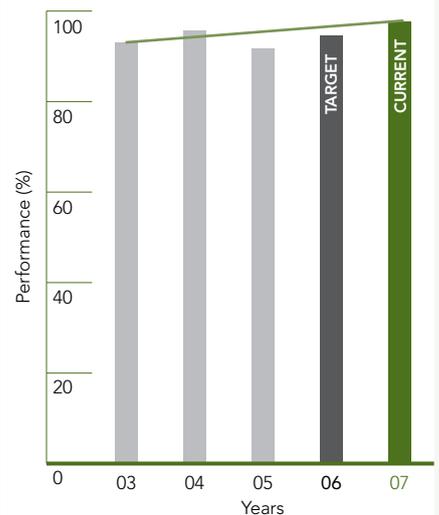
Targets

- To recover 95% of the total construction and demolition waste generated from Landcom civil works contracts by 30 June 2006.
- To recover 76% of waste materials generated from building construction by 30 June 2014.

Results

A total of 99% of recyclable waste generated by civil works during 2006/2007 was either reused or recycled. Landcom's target for this indicator was to achieve 95% reduction by last year. We achieved this result and must now monitor our performance to ensure we maintain our efforts.

Waste Recycling Performance



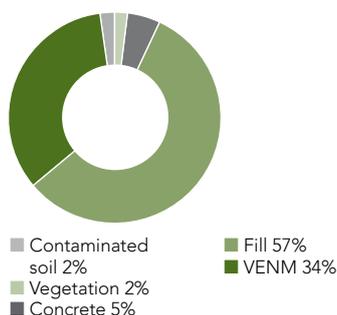
Environmental indicators

continued

Recycling Performance

The five most common components of recyclable waste generated from Landcom projects in 2006/2007 are illustrated on the following chart. Fill material made up the highest portion of waste recycled (57%) and refers to material such as clean clay, sand and soil.

% Waste Recycled



Office Recycling

Last year we only reported on the office paper purchased containing recycled content from our Parramatta office. This year, we collected data relating to our head office as well as our project and regional offices.

Landcom purchased 3,077 reams of A4 paper, containing 50%, 60% or 100% recycled content. This represents 95% of total A4 paper purchased. 60% (81 out of 134) reams of A3 paper purchased during the year contained recycled content. Landcom recycled 4.4 tonnes of used paper.

Landcom also collects bottles and cans for recycling from its head office, of which approximately 0.2 tonne was recycled.

Under the Waste Avoidance and Resource Recovery Act 2001, Landcom is required to report every two years to the Department of Environment and Climate Change (DECC) on the progress it has made in reducing waste, increasing resource recovery (including reuse and recycling), and in increasing the use of materials with recycled content. Landcom will provide its latest Waste Reduction And Purchasing Policy (WRAPP) Report, in accordance with the DECC reporting requirements, in August 2007. This report covers the period 2005/2007. For further information, please refer to the "WRAPP Report" on the attached CD-Rom.

Energy

ENERGY EFFICIENCY

Purpose

This indicator measures built form energy efficiency where Landcom has control over the built form. Landcom aims to ensure that its building products are designed and equipped to minimise energy use.

Target

- A 40% reduction in greenhouse gas emissions from our developments compared to the average Landcom dwelling constructed in the base year 2002.

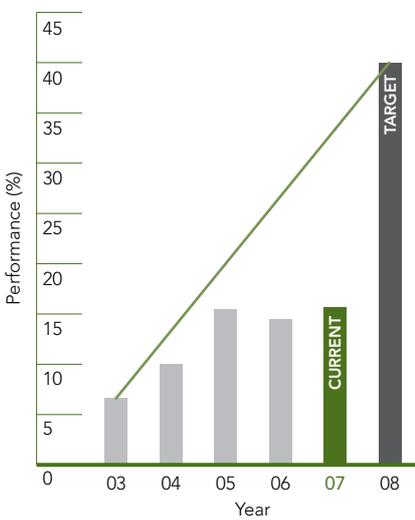
Results

During the year, Landcom achieved a 15.7% reduction in greenhouse gas emissions from dwellings constructed within its built form projects (estimated 127 tonnes per year). This calculation is based on estimated annual energy use for heating, cooling, cooking and hot water. For further information please refer to the CD-Rom.

BASIX Compliance

All dwellings approved since BASIX 25 was introduced (i.e. 79 out of a total of 161) complied with BASIX requirements, and scored an average of 38 BASIX points (2 points higher than last year's average of 36). All of these dwellings were approved before the BASIX target was raised to 40 points on 1 July 2006.

Greenhouse Gas Savings



SUSTAINABLE OR RENEWABLE ENERGY SUPPLY

Purpose

This indicator measures sustainable or renewable energy technologies installed in Landcom developments. Sustainable or renewable energy technologies refer to energy generation options that produce lower polluting emissions than traditional coal-fired power plants. Sources of sustainable or renewable energy may include wind power, solar power and sewage gas.

Targets

- All dwellings are to be fitted with gas boosted solar water heaters sufficient to meet 60% of annual hot water requirements, except where there is no gas or where solar panels are not appropriate.
- All projects greater than 500 dwellings (or projects with a commercial component or town centre) are to include a percentage of onsite or offsite renewable energy supply.

Results

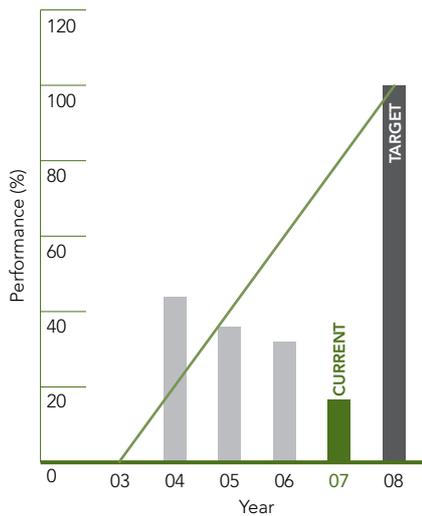
A total of 17% of all dwellings delivered during the year (i.e. 28 out of 161) had gas boosted solar hot water systems installed. While this will save an estimated 50 tonnes in greenhouse gas emissions per annum, the result is less than the 32% outcome achieved last year. This result can be partially explained by the high proportion of homes delivered this year on a number of our legacy projects, which commenced prior to the introduction of our Energy Smart Communities policy. For further information please refer to the CD-Rom.

A further 13 tonnes of carbon dioxide (CO₂) will be saved through the installation of 11, 1 Kva Photovoltaic (PV) cells at Greenway Views. The PV cells will convert the sun's rays to provide up to 60% of the electricity used in these homes. These dwellings are not included in this year's results as PV cells have been used instead of solar panels for hot water.

As well as Greenway Views, our Prince Henry, Rouse Hill and The Ponds projects will include other solar technologies to provide energy, thereby reducing the reliance of these developments on coal-fired electricity production.

The Ponds project is part of the Blacktown Solar Cities initiative and Rouse Hill will showcase the first multi-unit cogeneration system in Australia, which will save an estimated 77 tonnes of CO₂ per annum. On our Royal Newcastle Hospital project we intend including a mix of cogeneration, wind and solar power energy options.

Percentage of Homes Constructed with Solar Hot Water Systems



OFFICE ENERGY USE AND GREENHOUSE GAS EMISSIONS

Purpose

Landcom aims to provide information on energy used and greenhouse gas emissions generated as a result of its corporate operations. These operations are defined as Landcom's head office in Parramatta, regional offices at Newcastle and Campbelltown and its corporate vehicle fleet.

Target

This indicator is calculated and reported in accordance with the requirements of the Government Energy Management Policy (GEMP). For more information on the GEMP, refer to the following website <http://www.deus.nsw.gov.au/eeg/gemp/index.htm>

Results

The electricity usage stated in Table 1 is limited to Landcom's head office in Parramatta. We are now collecting data from our regional offices at Newcastle and Campbelltown and project office at Zetland, which increases Landcom's total energy usage to 410,559 KWh for 2006/2007 and 416 tonnes of CO₂ (down from 484,925 KWh and 512.3 tonnes of CO₂ last year – refer to Note 1).

While we have not monitored the various elements that contribute to this reduction, it is expected that the installation of a central light switch and behavioural changes by staff may have contributed.

It should also be noted that staff from our Campbelltown office moved into new premises during the year. Results have therefore been estimated based on previous use. Energy results for the new premises are not yet available but are expected to be lower than the previous office accommodation.

The Australian Building Greenhouse Rating for our head office remains at a 3.5 star, which is the same as last year. Furthermore, Landcom purchased accredited green power for 100% of the electricity used in its head office and regional offices which is an increase from 89% last year.

(For more information: <http://www.greenpower.gov.au/pages/>)

In order to offset CO₂ emissions from our vehicles, Landcom joined the Greenfleet Program in 2005. Greenfleet planted 177 native trees this year to sequester 47.3 CO₂-e tonnes of CO₂ over the life of the trees. This represents the estimated emissions produced from our vehicle fleet.

For more information: <http://www.greenfleet.com.au/>

Landcom has also prepared a "Fleet Improvement Plan", which has been developed in accordance with the requirements for NSW Government Cleaner Vehicles Action Plan. In line with this Plan, Landcom plans to reduce greenhouse gas emissions from its fleet by 7.5% this year and 10% by 2007/2008, using its 2004/2005 results as a baseline. This year we have achieved a 10.4% reduction compared to our 2004/2005 results, which means we have already achieved our 2007/2008 targets.

Landcom's vehicles are required to meet an average annual Environment Performance Score (EPS) target. This is calculated using a vehicle scoring system adopted for the NSW Clean Car Benchmarks, which rates vehicle impacts in terms of greenhouse emissions and air quality. Landcom's performance to date is represented in Table 2.

For more information: <http://www.statefleet.ogp.commerce.nsw.gov.au/Greening+the+Government+Fleet/Greening+the+Government+Fleet.htm>

Table 1: Results – Head Office, Parramatta

Description	2006/2007	2005/2006	2004/2005	2003/2004	2002/2003
Energy used (electricity in kWh)	299,607	306,899	349,991	305,080	256,040
Petrol consumed (litres)	20,387	21,538	14,212	18,280	49,268
CO ₂ emissions (tonnes)	316	402	367	333	356

Note 1 The CO₂ conversion factor has been altered this year in accordance with the Australian Greenhouse office's Greenhouse Gas Calculation Methodology.

Table 2: Environment Performance Score (EPS) Results

Target Year	EPS Target for Vehicles	Landcom Score
2005/2006	10 out of 20	11.6 out of 20
2006/2007	11 out of 20	14.8 out of 20
2007/2008	12 out of 20	–

Environmental indicators

continued

Biodiversity

NATIVE VEGETATION MANAGEMENT

Purpose

This indicator measures Landcom's impact on endangered ecological communities encountered on Landcom projects. While acknowledging that urban development can adversely affect biodiversity, Landcom aims to minimise adverse impact on endangered ecological communities and Threatened Species from its activities.

Targets

- No net loss of endangered ecological communities' habitat of "high conservation significance".
- Establish Vegetation Management Plans (VMPs) for all Landcom projects where this indicator applies.

Appropriate offsetting ratios are negotiated with the NSW Department of Environment and Conservation for each project.

Results

This indicator is reported for projects that received masterplan or subdivision plan approval in 2006/2007.

Endangered Ecological Communities

This year, the West Huntingwood project was the only project at the masterplan completion stage, which also contained endangered ecological communities. At West Huntingwood 5.6 ha of moderate conservation significance vegetation was identified for clearing this year. The clearing of this vegetation will be offset through a monetary contribution towards the management of a significant parcel of Cumberland Plain Woodland within the adjacent Western Sydney Parklands.

Threatened Species Habitat

Threatened species habitat includes all bushland occurring on Landcom's project sites that is a potential habitat for threatened species. Threatened species habitat usually includes the endangered ecological communities described above, where these have been identified as suitable habitat. However, this will vary from project to project.

This year no bushland areas within Landcom's projects which achieved masterplan completion were identified as being suitable habitat for threatened species.

All clearing will be carried out in accordance with approvals from relevant authorities.

Vegetation Management Plans

This indicator is not applicable this year. No sites required ongoing vegetation management plans.

Further information on Landcom's 2006/2007 performance in relation to endangered ecological communities and threatened species can be found in the 2007 Indicator Reports folder on the CD-Rom attached to the back page of this document. 

RIPARIAN CORRIDOR MANAGEMENT

Purpose

This indicator measures Landcom's performance in the conservation of riparian corridors identified on its projects, in conjunction with an assessment of stream significance. Landcom aims to conserve riparian corridors that have significant conservation value and to repair those that are degraded.

Targets

- No loss of stream length for *Category 1 – High Significance* streams and no net loss of associated riparian corridor.
- Greater than 40 metres of riparian corridor for *Category 1 – High Significance* streams.
- 20-30 metres of riparian corridor for *Category 2 – Moderate Significance* streams.
- 5-10 metres of riparian corridor for *Category 3 – Low Significance* streams.
- No piping or filling of any sections of streams that are of *Category 1 – High Significance* or *Category 2 – Moderate Significance*.
- Establish Riparian Corridor Management Plans (RCMPs) for all Landcom projects where this indicator applies.

Results

Information for this indicator covers all projects that received masterplan or subdivision plan approval throughout the reporting year. During 2006/2007, only the Beacon Hill High School project fell within this category.

A total of 190 metres of *Category 2* stream was identified within the Beacon Hill project. Landcom achieved 100% compliance with the targets set for riparian corridor conservation for *Category 2 – Moderate Significance* with 0.38 ha being retained and restored as riparian corridor.

There were no *Category 1* or *Category 3* streams identified within Landcom projects this year.

An appropriate RCMP was provided for the Beacon Hill project. Rehabilitation and, where necessary, reconstruction of the creek channel will occur to provide a riparian corridor. This work will involve the use of species endemic to the area. This work is now underway and will be completed in the current reporting year.

Further information on Landcom's 2006/2007 performance in relation to riparian corridors can be found in the Indicator Reports folder on the CD-Rom attached to the back page of this document. 

Social indicators

Moderate income housing

PROVISION OF MODERATE INCOME HOUSING

Purpose

Landcom aims to provide affordable housing opportunities to households earning a moderate income of between \$50,000 and \$75,000 per year (2006 figures). The aim is to provide opportunities for moderate income earners to purchase their own home without significant subsidies.

Target

- To deliver 7.5% of our total land and/or housing product as moderate income housing by 30 June 2008, where commercially viable.

Results

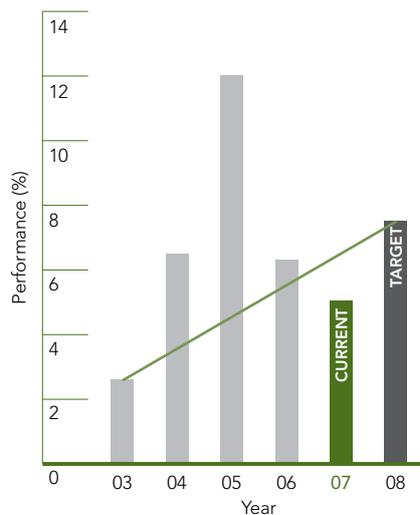
During the reporting period, land prices considered affordable to families on moderate incomes ranged from \$80,000 to \$170,000. House and land packages considered affordable to moderate income families fell in the range \$180,000 to \$271,000.

In 2006/2007 Landcom delivered 15 lots (5.1% of total product developed in 2006/2007) at Koala Bay in Port Stephens for between \$120,000 and \$130,000, which is considered affordable to moderate income households.

Land prices in Sydney have made it difficult to provide housing that is affordable to moderate income earners. However, Landcom continues to deliver diverse housing products that are more affordable than traditional house and land packages, including townhouses and accessory dwelling units.

Landcom has provided 63 units through the sale of 2 sites at Victoria Park to City West Housing for affordable rental accommodation and 11 homes at Mt Annan, with studios detached from the homes, which could be offered for rental to people earning incomes within the moderate income range. Landcom has also assisted the Department of Housing and Habitat for Humanity by providing 7 lots in Helensburgh and Bidwill to low income families.

Moderate Income Housing Provision



Community development

COMMUNITY FACILITIES

Purpose

This indicator provides information on community facilities included in Landcom projects, such as sporting fields, playgrounds and parks. Landcom aims to provide facilities that are appropriate for the communities it creates.

Target

At present we report on the number of community facilities we provide in our projects, such as schools, community halls, sporting fields, children's playgrounds and public parks. Specific targets have not been set for this indicator because the requirements for each project are largely determined by the needs of the particular locality and the requirements of the relevant Council.

Results

Landcom delivered the following community facilities in 2006/2007:

- 18.2 ha of passive open space across all projects.
- 7.2 ha of open space specifically for active recreation at Newbury.
- A total of 4 multi-purpose sports court facilities provided across our Garden Gates, Newbury and Koala Bay projects.
- A total of 6 playgrounds provided across our Newbury, Garden Gates, Koala Bay, and Macarthur Gardens projects.
- 2 community halls at Newbury.
- 1 school site at The Ponds.

WELCOME PROGRAM

Purpose

This indicator measures how effectively we deliver one of Landcom's more successful community development initiatives. Our Welcome Program contributes to the social sustainability of new communities by fostering a sense of belonging for new residents, promoting a culture of welcome and hospitality, and by helping new residents forge networks across the local and broader community.

Target

Landcom aims to have a Welcome Program in every estate with 200 or more dwellings by 30 June 2008. Our goal is to make the initial welcome visit within 2 weeks of new residents moving in. We also introduce Welcome Programs within smaller estates wherever appropriate.

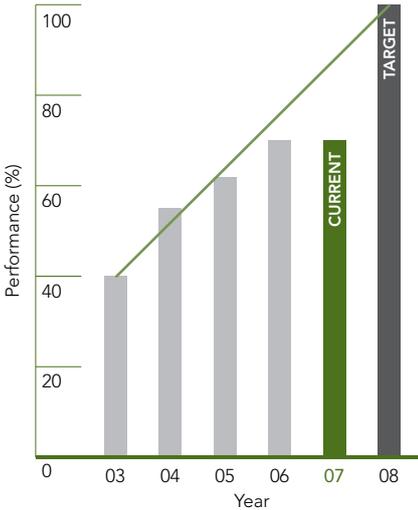
Social indicators

continued

Results

During 2006/2007, 70% of our projects with 200 or more dwellings had a Welcome Program in place.

Welcome Programs

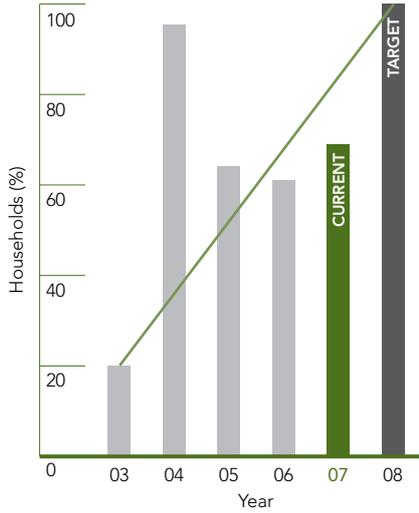


Within these projects, 69% of households were welcomed within 2 weeks of moving in. For 7% of households, we were not able to make a face-to-face visit, despite several attempts by the Welcome Facilitators. In these cases, Facilitators left a Welcome Kit and a letter of introduction.

As well as making close to 500 visits, the Facilitators organised 110 community events and activities, attended by around 25,000 people.

During 2006/2007, the program was delivered by three partner agencies: North West Community Care; Uniting Care Narellan; and Spirited Communities.

Visits Within 2 Weeks



In Sydney's northwest, we ran Welcome Programs during the year for all our projects regardless of size. These included our Forest Glade, Guardian Grove, Jacaranda Rise, Merriville Rise, The Glen, Newbury and Tallwood Hills estates.

This year we also introduced Strategic Social Plans for all our new projects. Strategic Social Plans include project-specific community development strategies and incorporate elements of our traditional Welcome Program. The Ponds is the first project to roll out such a program.

Urban design

INFLUENCING DESIGN

Purpose

This indicator measures how Landcom influences the quality and sustainability of project home designs where we have no direct control over the end product.

Target

- Landcom's aim is to put processes in place that influence builder designs on all projects where it does not directly control the built product.

Results

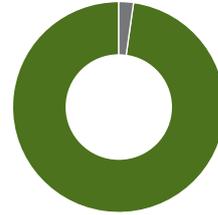
Projects

During 2006/2007, 75% of all relevant projects had design guidelines aimed at influencing builder product (i.e. a total of 3 out of 4 projects). The project that did not have design guidelines was a 3 lot subdivision at Claremont Meadows where a 3.7 ha lot was handed over to Council as public open space. The remaining 2 lots were rural residential lots, each over one hectare in size.

Design Guidelines

A total of 98.4% of all lots within the 4 projects were subject to design guidelines (i.e. a total of 121 lots out of a possible 123 lots). The 2 non-complying lots were the rural residential lots exceeding one hectare in size.

Proportion of Lots Influenced by Design Guidelines



- Lots without Design Guidelines 1.6%
- Lots influenced by Design Guidelines 98.4%

Heritage

CONSERVATION OF INDIGENOUS HERITAGE

Purpose

Landcom aims to consult relevant indigenous communities about Landcom developments and conserve objects and places that have indigenous cultural significance.

Targets

- Always consult with relevant local indigenous groups on projects with indigenous heritage issues.
- Conserve all objects and places of significance in all Landcom projects as determined in consultation with local indigenous groups and the Department of Environment and Conservation.
- Establish Heritage Conservation Management Plans for all projects with significant indigenous heritage issues.

Results

In 2006/2007, 3 new projects were masterplanned including Beacon Hill, West Huntingwood and Royal Newcastle Hospital, and aboriginal heritage assessments were released for 2 projects masterplanned in previous years (i.e. Bagnalls Beach and one section of Edmondson Park).

Consultation

Of the projects assessed this year, 4 sites were identified as potentially having significant aboriginal heritage values (Bagnalls Beach, Edmondson Park, West Huntingwood and Royal Newcastle Hospital). Consultation was undertaken with local indigenous groups in each case.

Conservation of Significant Objects

A number of objects were identified within West Huntingwood project during the year. However, these were not deemed to be significant items. The West Huntingwood site forms part of the larger Bungaribee Precinct which includes parts of the Western Sydney Parklands, in which numerous significant objects have been identified. These objects will be conserved as part of the future development of the area.

Conservation of Significant Places

Bagnalls Beach and Royal Newcastle Hospital potentially contain places of aboriginal heritage significance. In both cases, the places identified were not deemed significant by the Department of Environment and Climate Change. Despite this conclusion, approximately 8.4 ha at Bagnalls Beach has been handed over to Council as public open space and a further 1.93 ha will be preserved in public reserves. Public art will be put in place reflecting the aboriginal history of this site.

Further, coastal areas of Newcastle are generally deemed to hold local aboriginal heritage significance. These heritage values will be further developed and reflected in community art, place and street names, at our Royal Newcastle Hospital site.

CONSERVATION OF NON-INDIGENOUS HERITAGE

Purpose

Landcom aims to conserve all significant non-indigenous cultural items and places in its developments.

Targets

- Conserve all significant non-indigenous heritage items and places found on Landcom projects.
- Establish Heritage Conservation Management Plans for all Landcom projects with non-indigenous heritage items or places.

Results

In 2006/2007, this indicator applied to both the Royal Newcastle Hospital and West Huntingwood sites.

Non-indigenous heritage items were also identified on the Edmondson Park site last year. This portion of the site will be subject to future reporting. The portion of the Edmondson Park site to be reported this year was not subject to any non-indigenous heritage issues.

Conservation of Significant Items

There were no items of significant non-indigenous heritage value identified this year.

Conservation of Significant Places

The Royal Newcastle Hospital site is considered to be of significant heritage value to the Newcastle region. During development of this site, aspects of particular heritage significance will be conserved and interpreted for inclusion in walking tracks, public spaces and in a museum.

Conservation Management Plan

A Conservation Management Plan has been prepared for the Royal Newcastle Hospital site.

Employees

EMPLOYEE SATISFACTION

Purpose

This indicator provides an assessment of the overall satisfaction of Landcom's permanent and long-term contract employees. Landcom conducts regular staff surveys to measure the Corporation's performance against a number of employee satisfaction indicators.

Target

- Landcom aims to maintain a high level of employee satisfaction.

Results

Landcom will conduct its next Employee Attitude Survey in 2008.

Landcom employee interests are represented by the Public Sector Association (PSA). All Landcom employees can choose to join the PSA. Approximately 31% of employees are currently members of the Association.

Landcom's Staff Engagement Program was developed to foster improved communication across the organisation and to develop a shared understanding of the organisation's direction. All staff will attend a Staff Engagement workshop in July 2007 where they will have an opportunity to reflect on, and understand, Landcom's Corporate Objectives.

EMPLOYEE RETENTION RATE

Purpose

This indicator measures the effectiveness of Landcom's human resources management and employee relations by disclosing the Corporation's annual employee retention rate.

Target

- Landcom aims to perform better than the NSW public sector annual employee retention rate.

Results

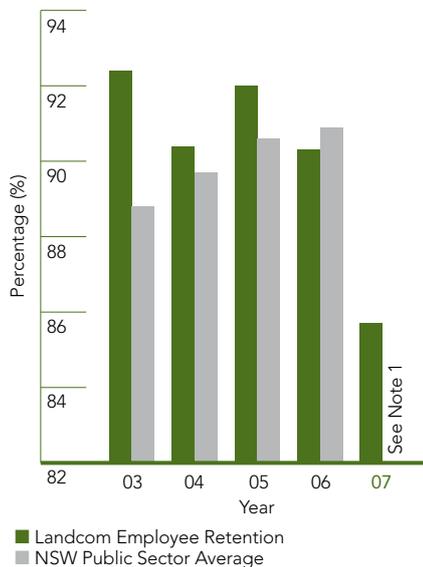
Landcom's employee retention rate for 2006/2007 was 85.7%, with 20 permanent staff resigning from a total of 140. This was lower than last year's result of 90% and the 2004/2005 result of 92%.

Following a review of exit interviews, it appears that the higher number of staff resignations this year can be attributed to the fact that Landcom's property skills are in high demand within the industry. Staff leaving the organisation within the period cited career opportunities as their main reason for leaving.

Social indicators

continued

Landcom Employee Retention Rate



Note 1 NSW Public Sector average results were not available at the time of publication.

TRAINING

Purpose

This indicator measures Landcom's efforts in providing training for its staff and service providers as well as raising awareness within our industry of issues such as better design, housing choice, sustainable development and affordable housing.

Target

A strategic priority for Landcom is to pursue a role as a national leader in innovation in the development industry. Landcom hosts training sessions, seminars, courses and industry forums as an effective way of exchanging ideas and promoting issues and initiatives which have a high profile or are of strategic importance to Government.

Results

Internal Training

Landcom's 2006/2007 Training and Development Program was developed in line with the organisation's strategic business needs and the individual career and performance needs of employees. The program strategy encompasses five key focus streams of the Staff Engagement Program; Coaching and Mentoring; IT Training; Individual or Position Specific Training; and Knowledge Briefings.

At an individual level, training needs are identified through career and development plans as part of performance reviews.

ABORIGINAL EMPLOYMENT OPPORTUNITIES

Purpose

This indicator monitors Landcom's efforts in providing employment and training opportunities in favour of people of Aboriginal or Torres Strait Islander background.

Target

Landcom has, in the past, sought to establish a cadetship program for tertiary students of Aboriginal or Torres Strait Islander background. The purpose of the cadetship is to support members of the Aboriginal or Torres Strait Islander communities by offering them a scholarship to finance their tertiary studies. The cadetship combines the skills gained from their studies with practical work experience offered by Landcom.

Unfortunately, previous efforts to attract candidates for this cadetship have been unsuccessful.

Results

In collaboration with the University of Western Sydney, Landcom has now developed an Indigenous Scholarship for indigenous students who are enrolled full-time in an undergraduate business degree.

The objective of the Scholarship is to create employment opportunities for indigenous people in their community and encourage students to pursue a career in government and the property development industry. For the recipient, the Scholarship will provide financial assistance with study fees and materials and paid work experience. The Scholarship was advertised in June 2007.

Internal Training

Training/Seminars/Forum	Date Held	Audience	Purpose
Staff Engagement Program	October 2006 December 2006 January 2007 June 2007	Management	To develop a shared understanding of Landcom's objectives and direction amongst all employees.
Estate Master Feasibility Software	September 2006 October 2006 December 2006	All staff	To ensure staff are competent in using Estate Master Feasibility software.
IT System Training [IPOS, LIS, PRP]	July 2006 – June 2007	All staff	To ensure staff are competent in using internal systems.
Coaching/Mentoring	July 2006 – June 2007	Open to all staff	To provide a structure for the growth and development of employees.

Economic indicators

Results

See Table 3 below.

JOB CREATION AND ECONOMIC OUTPUT

Purpose

This indicator measures the economic output and employment generated from our activities.

Target

There is no specific target other than to demonstrate tangible ways of how we contribute to the economy of NSW.

Results

Jobs and economic output are generated within the development and associated industries as a product of Landcom's activities. Accordingly, the following multiplier formulas are used to calculate employment and economic output generated as a function of Landcom's capital investment: the Australian Bureau of Statistics summarises the multipliers for output and employment in the construction industry. They show that for every \$1 million spent on construction output (houses, non-residential buildings, etc) in 1996/1997, a possible \$2.9 million in output would be generated in the economy as a whole, giving rise to nine jobs in the construction industry (the initial employment effect) and 37 jobs in the economy as a whole from all effects.

See Table 4 below.

PROFITABILITY

Purpose

Landcom's objective is to operate as a successful corporate entity with at least the same level of efficiency as any comparable private sector company.

Indicators 16 to 21 provide a measure of Landcom's profitability.

Target

- Landcom aims to operate as a successful business and maximise the net worth of the State's investment in its operations.

Results

See Table 1 below.

FINANCING CAPACITY

Purpose

This indicator provides a comparison between Landcom's external financing arrangements, capital provided through the State Government's shareholder equity, and profits retained from previous years. Landcom's maximum debt levels are established through periodic capital structure reviews undertaken by Landcom and the NSW Treasury.

Target

- Landcom aims to provide a responsible balance between its net debt and total equity.

Results

See Table 2 below.

RETURNS TO GOVERNMENT

Purpose

This indicator measures Landcom's annual returns to the State Government.

Target

- Landcom's objective is to provide an appropriate return to the State Government.

In 2006/2007 this represented 94% of Landcom's net profit.

In addition, Landcom pays an income tax equivalent to Government. The tax rate is currently set at 30% of net profit. Landcom also pays all other NSW charges and taxes imposed on private sector organisations, including stamp duty and land tax. These funds are available to the NSW Government to finance operations and capital works.

Table 1: Profitability

Description	2006/2007	2005/2006	2004/2005	2003/2004	2002/2003
Sales revenue	\$322,479	\$317,276,000	\$326,939,000	\$333,253,723	\$281,222,000
Sales margin	33.1%	38.9%	44.8%	48.8%	51.2%
Return on sales	13.1%	14%	19.2%	26.3%	29.5%
EBIT	\$68,440,000	\$72,610,000	\$99,315,000	\$132,180,000	\$127,130,000
Return on equity	11.6%	12.3%	17.2%	24.6%	26.1%
Return on total operating assets	5.8%	6.4%	8.4%	15.1%	16.5%

Table 2: Financial Capacity

Description	2006/2007	2005/2006	2004/2005	2003/2004	2002/2003
Debt to equity ratio	27.7%	18.3%	23%	4.1%	3.0%

Table 3: Returns to Government

Description	2006/2007	2005/2006	2004/2005	2003/2004	2002/2003
Return to Government	\$57,334,000	\$61,738,000	\$75,143,000	\$87,978,000	\$83,081,000

Table 4: Job Creation and Economic Output

Description	2006/2007	2005/2006	2004/2005	2003/2004	2002/2003
Total number of jobs created through Landcom's activities	6,315	6,050	7,868	5,270	4,470
Total economic output generated from Landcom's activities	\$494,940,100	\$474,195,644	\$616,675,900	\$413,026,700	\$350,351,900

Governance indicators

EFFECTIVENESS OF COMMUNITY CONSULTATION

Purpose

This indicator measures how effective Landcom is in communicating with Government, its business partners and local communities. Landcom aims to develop effective consultation strategies to ensure we understand what people want and to help us provide land and housing that meet Government and community expectations.

Target

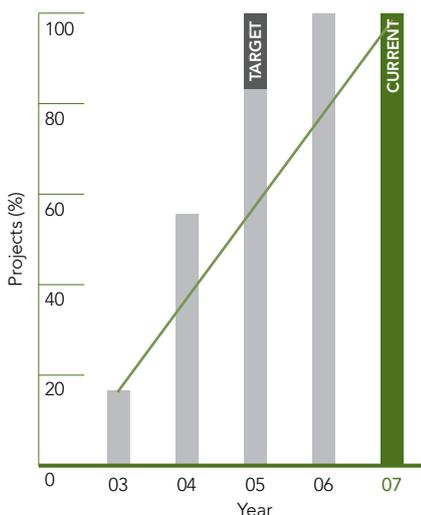
- To prepare and implement consultation plans for all projects, identifying all key stakeholders and contacting them for participation.

Results

Consultation Plans

All of Landcom's projects planned during 2006/2007 had formal stakeholder consultation plans in place. These were projects where the local council did not undertake community consultation. Consultation was also undertaken on the remaining projects.

Stakeholder Consultation Plans



Stakeholder Engagement and Participation

Landcom contacted all stakeholders that were identified in formal consultation plans and a stakeholder participation rate of 100% was achieved for projects where a formal consultation plan was in place.

STAKEHOLDER RELATIONSHIP MANAGEMENT

Purpose

This indicator provides a qualitative description of the stakeholder engagement program that Landcom conducted throughout the reporting period in relation to its sustainability reporting.

Target

Landcom aims to brief and consult regularly with its social and environmental stakeholders to ensure that its sustainability reporting system remains relevant and can accommodate new trends and requirements.

Results

During 2006/2007, Landcom engaged Net Balance Management Group to conduct a stakeholder consultation program to ascertain the views of Landcom's key stakeholders with respect to Landcom's sustainability performance and reporting. Six of Landcom's development managers participated in the process.

The aim of the process was to review the sustainability issues deemed important to Landcom by the stakeholder group, through a re-evaluation of Landcom's 15 project indicators.

The program included a workshop to bring the participants together to discuss key issues, and a questionnaire based on three main themes:

- What has changed since the indicators were developed.
- What is working and what is not working.
- What are the key gaps identified from the GRI G3 review?

The results indicated general support for our sustainability reporting system, however, specific stakeholder feedback will be integrated into a review of our indicators over the next 12 months.

Stakeholder consultation reports are available on the accompanying CD-Rom.

CONSUMER EDUCATION ON SUSTAINABLE LIVING

Purpose

This indicator measures Landcom's efforts in promoting sustainability, raising awareness of sustainable products and educating consumers about sustainable living. Landcom aims to promote a sustainability culture among its consumers and the broader community.

Targets

- Include consumer education on sustainable living in all Landcom projects by June 2008.

Results

During 2006/2007, Landcom developed a proposal with Macarthur Centre for Sustainable Living (MCSL). The proposed agreement will see MCSL develop and trial a program at Landcom's Garden Gates Estate in Mt Annan this year. The trial program will include:

1. A series of workshops, fact sheets, newsletters and web information to include the following information:
 - a. Creating a native garden.
 - b. Wildlife and your backyard.
 - c. No dig vegetable gardening.
 - d. Worm farming and composting.
 - e. Water harvesting and water wise gardening.
 - f. Reduce energy usage in your home.
2. Establishment of bushcare/landcare groups to embellish local riparian and bushland areas.
3. The development and distribution of information relating to sustainable building and landscape design.
4. Sponsorship of events which create positive environmental and/or social outcomes for the southwest region.

It is intended that, following the first year trial, the initiatives will be replicated in other Landcom projects.

Compliance

REGULATORY COMPLIANCE

Purpose

This indicator provides information about any regulatory non-compliance that may have resulted from Landcom's operations during the reporting period. Landcom aims to achieve full regulatory compliance and ensure that all its contractors also achieve the same level of compliance.

Targets

- Achieve full compliance with relevant planning, environmental and health and safety legislation on all Landcom projects.
- Conduct environmental audits on all civil works contractors during construction stages.
- Achieve a minimum score of 75% on all environmental audits.
- Collect information from all third-party contractors about any breaches of compliance that may have occurred due to actions taken by the contractor on Landcom's behalf.

Results

Regulatory Compliance

During the year, 93% of Landcom projects achieved full regulatory compliance with the Protection of the Environment Operations Act and other environment, occupational health and safety, and planning legislation.

While Landcom itself did not receive any notices or penalties, one clean up notice (and associated penalty) was issued under the Protection of the Environment Operations Act to contractors working on Landcom's Park Central project.

Environmental Audits

Environmental audits were conducted on 67% of civil contracts in progress during 2006/2007 (i.e. 8 out of 12 contracts). All of the audits that were undertaken achieved a score greater than 75%.

Contracts that were not audited were either of particularly low risk based on the nature of works or timing, or were at an early stage. It is expected that these projects will be audited in the last half of 2007.

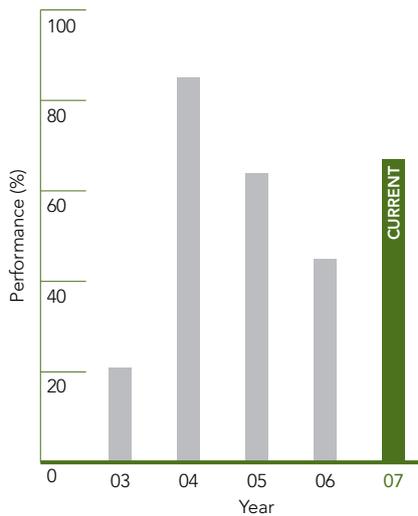
Landcom conducted 5 audits on builders during 2006/2007, with 100% of builders scoring above 75%. This was a significant improvement from last year's score of 11%. Landcom will continue to work with builders to maintain these results.

OHS Project Audits

Landcom has recently reviewed its project Occupational Health and Safety (OHS) audit program. A two tier OHS audit tool was developed with Noel Arnold and Mirvac.

Tier 1 refers to a desktop audit of the management system. Tier 2 is an onsite audit to ensure builders and developers comply with the management system. A rating out of 100 is provided with a benchmark set at 75. We are currently trialling the system with a view to implementing the program in 2007/2008.

Percentage of Contracts with Environmental Audit Undertaken



VOLUNTARY COMPLIANCE

Environmental Management Systems

Landcom has an accredited Environmental Management System (EMS) which conforms with the requirements of AS/NZS ISO 14001:2004, the Australian/New Zealand standard for Environmental Management Systems. Landcom's EMS was first accredited in November 2000 and it is independently verified by SIA-Global on an annual basis. In November 2006, Landcom's second triennial audit was conducted and the system reaccredited. An overview of Landcom's EMS can be viewed on the attached CD-Rom.

Global Reporting Initiative

The Global Reporting Initiative (GRI) is an internationally recognised group whose mission is to develop Sustainability Reporting Guidelines that are capable of universal application. These guidelines are intended for public corporations wishing to report on the economic, environmental and social dimensions of their activities, products and services.

Landcom voluntarily reports in accordance with the guidelines produced by the GRI. A review has been undertaken of the G3 guidelines and will be incorporated into our Indicator Review to take place over the 2007/2008 period. For more information: <http://www.globalreporting.org/>

Australian Building Greenhouse Rating

The Australian Building Greenhouse Rating (ABGR) Scheme is a voluntary initiative established to help building owners and tenants across Australia benchmark their greenhouse performance.

Administered nationally by the former NSW Department of Energy, Utilities and Sustainability and locally by leading state greenhouse agencies, the ABGR Scheme rates buildings from one to five stars, with five stars representing exceptional greenhouse performance. Current market best practice in Australia is five stars.

Landcom's Energy Smart Communities Policy sets Landcom's target for commercial buildings at a minimum 4.5* rating in accordance with the ABGR tool. (For more information: <http://www.abgr.com.au/>)

Supply chain management

SUPPLIER PRE-QUALIFICATION

Purpose

This indicator provides information on:

- The number of partnering tenders for development that have been called, which required Landcom's private sector partners to adhere to particular sustainability criteria.
- The total number of suppliers that possess pre-qualification based on sustainability criteria.

Target

Landcom aims to promote responsible environmental and social sustainability practices further down the construction industry supply chain through its own projects. The objective is to encourage Landcom's industry partners to establish these practices with their other clients.

Results

Landcom's key supply chain management processes are as follows:

- The inclusion of sustainability criteria and targets in all partnering tenders and project delivery agreements for developments that are negotiated with the private sector.
- The inclusion of sustainability criteria and targets in all building contracts under Landcom's direct control.
- The inclusion of sustainability targets in all design briefs.
- The inclusion of environmental and health and safety criteria in pre-qualification and ongoing performance management of civil works contractors, project managers and landscape contractors.

The Sustainability Flow Chart Folder on the Sustainability Report in the CD-Rom (attached on the back page) illustrates how Landcom integrates sustainability into its decision-making framework.

Tender Processes

The following development partnering tenders called during the year included Landcom's sustainability criteria and targets:

Project	Successful Tenderer
Royal Newcastle Hospital	Mirvac
Middleton Grange/ South Cecil Hills	Mirvac (Preferred Tenderer)
Minto	Rawson, Wisdom, Clarendon, AV Jennings (Preferred Tenderer)

Challenges

RENEWABLE ENERGY

Landcom experienced a decline in the number of lots containing gas boosted solar hot water systems this year. A total of 17% (28 out of 161) of lots were fitted with solar hot water systems. This represents a decline from last year's figures of 32%, and the two previous year's figures of 36% and 44% respectively. The decline in the number of hot water systems installed this year reflects the disproportionate number of homes being delivered on projects that began prior to Landcom's Energy Smart Communities Policy being introduced in 2002. In particular, 52 lots were attributable to our Newbury project which commenced in 2001, and a heritage building at our Prince Henry site on which solar installations could not be used. A number of our more recent projects where solar hot water is being delivered as part of the delivery agreement (such as Park Central and Waterford) were in between stages of development and produced no new lots in 2006/2007.

We expect that over the next two years we will experience a rise in the number of solar hot water systems being delivered as more lots are delivered on newer projects.

ENERGY EFFICIENCY

Landcom achieved a 15.7% reduction in greenhouse gas emissions from homes constructed in 2006/2007. These scores are similar to last year's result of 14.5% and the 2005 result of 15.5%. Once again our projects with houses being designed more recently are achieving an average BASIX score of 38%. However, as with the provision of renewable energy results described above, a number of older projects coming through the development pipeline continue to unfavourably influence our overall average score.

MODERATE INCOME HOUSING

Landcom's target to deliver 7.5% of its product as Moderate Income Housing continues to prove to be difficult. This year we delivered 5.1% of our land and built form product at a price considered affordable to families on a moderate income, down from last year's figure of 6.2% and the previous year of 12%. Despite a number of years of reasonably flat land prices in the Sydney metropolitan housing market, average wages continue to lag behind the sharp increase in land values observed during the late 90s and early 2000s.

In order to address this problem Landcom is exploring new opportunities in the rental market by offering product for sale that includes self contained studio apartments or garage apartments that could be rented at an affordable rate. This approach is being taken at our Macarthur Gardens project in Campbelltown. At our Garden Gates project at Mount Annan we have specified within our contracts with builders, a requirement to construct mews apartments, which can be offered for sale by the builder at a price substantially less than the surrounding product.

We have also structured a sale of land at Victoria Park to City West Housing that will see City West develop an apartment block with apartments available at substantially lower prices. At both Bidwill and St Helens Park we are working with Habitat for Humanity to make available a minimum of 7 lots at substantially reduced prices.

WASTE DATA FROM BUILDERS

We continue to face difficulty obtaining meaningful data regarding waste disposal and recycling from our building projects. Next year we will be working with our builders to trial a number of systems to improve the way waste is managed and reported, with a view to incorporating the data into our TBL report in future years.

CONSUMER EDUCATION ON SUSTAINABLE LIVING

Last year Landcom sought to develop a program of consumer education for new home owners. However, the program did not prove to be successful and we have reviewed our approach to this project. We have identified potential partners that could assist us to develop and deliver a new consumer education package. We expect to begin to implement the program in 2007/2008.

Financial Statements

Independent Audit Report

For the year ended 30 June 2007



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

LANDCOM

To Members of the New South Wales Parliament

I have audited the accompanying financial report of Landcom (the Corporation), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes.

Auditor's Opinion

In my opinion, the financial report:

- presents fairly, in all material respects, the financial position of Landcom as of 30 June 2007, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2005
- also complies with International Financial Reporting Standards as disclosed in Note 1.2.

The Responsibility of Directors' for the Financial Report

The directors are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1.2, the directors also state, in accordance with Accounting Standard AASB 101 'Presentation of Financial Statements', that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

My opinion does *not* provide assurance:

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

Independence

In conducting this audit, the Audit Office has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A Act further promotes independence by:

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

A handwritten signature in black ink, appearing to read 'Peter Boulous'.

P J Boulous CA
Director, Financial Audit Services

27 September 2007
SYDNEY



Directors' Declaration

For the year ended 30 June 2007

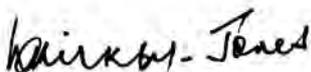
LANDCOM

DIRECTORS' DECLARATION

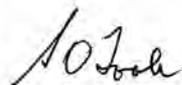
In the opinion of the Directors of Landcom:

- (a) The financial report:
 - (i) exhibits a true and fair view of the financial position of Landcom as at 30 June 2007 and of its performance, as represented by the results of its operations and its cash flows for the year ended on that date;
 - (ii) complies with Australian Accounting Standards, AASB Interpretations 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 2005*.
- (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:



WILLIAM KIRKBY-JONES, AM
Chairman



SEAN O'TOOLE
Managing Director



Income Statement

For the year ended 30 June 2007

	Notes	2007 \$'000	2006 \$'000
Continuing operations			
Sales revenue		322,479	317,276
Cost of sales		(215,707)	(193,707)
Gross profit		106,772	123,569
Other income	2(b)	3,606	2,605
Finance income	2(a)	5,181	4,690
Share of net (loss)/profit of joint ventures under the equity method	16	(44)	146
Other operating expenses	5	(17,501)	(24,671)
Marketing expenses	3	(6,811)	(9,651)
Finance costs	7	(13,775)	(15,562)
Employee related expenses	4	(17,695)	(17,233)
Depreciation and amortisation expense	6	(1,337)	(1,364)
Change in fair value of investment property	14	1,450	(791)
Profit before income tax equivalent expense		59,846	61,738
Income tax equivalent expense	8	(17,728)	(17,456)
Net profit for the year	26	42,118	44,282

The above Income Statement is to be read in conjunction with the attached notes.

Balance Sheet

As at 30 June 2007

	Notes	2007 \$'000	2006 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	9	103,969	109,057
Trade and other receivables	10	58,268	22,590
Inventories	11	126,498	128,626
Other current assets	12	20,157	7,644
Total Current Assets		308,892	267,917
Non-Current Assets			
Trade and other receivables	10	21,924	26,658
Inventories	11	365,006	381,827
Property, plant and equipment	13	4,820	5,089
Investment properties	14	5,250	3,800
Intangible assets	15	138	238
Investments accounted for using the equity method	16	–	224
Deferred tax assets	17	3,384	5,022
Other non-current assets	12	12,371	5,786
Total Non-Current Assets		412,893	428,644
Total Assets		721,785	696,561
LIABILITIES			
Current Liabilities			
Trade and other payables	18	68,982	58,645
Borrowings	21&28	30,000	30,000
Current tax liabilities		3,296	9,637
Provisions	19&20	74,246	67,135
Other current liabilities	23	22	44
Total Current Liabilities		176,546	165,461
Non-Current Liabilities			
Trade and other payables	18	7,086	19,272
Borrowings	21&28	174,321	144,697
Provisions	19&20	1,369	6,892
Deferred tax liabilities	22	411	677
Other non-current liabilities	23	–	22
Total Non-Current Liabilities		183,187	171,560
Total Liabilities		359,733	337,021
Net Assets		362,052	359,540
EQUITY			
Contributed equity	24	275,847	275,847
Asset revaluation reserve	25	218	218
Retained earnings	26	85,987	83,475
Total Equity		362,052	359,540

The above Balance Sheet is to be read in conjunction with the attached notes.

Cash Flow Statement

For the year ended 30 June 2007

	Notes	2007 \$'000	2006 \$'000
Cash flows from operating activities			
Receipts from customers		323,958	347,995
Interest received		3,802	6,030
Payments to suppliers and employees		(274,527)	(243,136)
Income tax equivalent paid		(22,697)	(23,355)
Finance costs		(12,429)	(14,741)
Other payments		(8,031)	(11,237)
Net cash flows from/(used in) operating activities	27(b)	10,076	61,556
Cash flows from investing activities			
Distributions received from joint ventures		86	4,369
Proceeds from sale of property, plant and equipment		-	278
Purchase of property, plant and equipment		(968)	(724)
Purchase of investment property		-	(109)
Net cash flows from/(used in) investing activities		(882)	3,814
Cash flows from financing activities			
Proceeds from borrowing		60,000	50,000
Repayment of borrowings		(30,000)	(80,000)
Dividends paid to NSW Treasury		(44,282)	(45,324)
Net cash flows from/(used in) financing activities		(14,282)	(75,324)
Net increase/(decrease) in cash and cash equivalents		(5,088)	(9,954)
Cash and cash equivalents at the beginning of period		109,057	119,011
Cash and cash equivalents at the end of period	27(a)	103,969	109,057

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

Statement of Changes in Equity

For the year ended 30 June 2007

	2007 \$'000	2006 \$'000
Total equity as at 1 July 2006	359,540	363,825
Adjustments on adoption of AASB 132 and AASB 139 to retained earnings	–	(4,314)
Transfer from asset revaluation reserve	–	29
Net income recognised directly in equity	–	(4,285)
Profit for the period	42,118	44,282
Total income and expense for the period	42,118	39,997
Transactions with equity holders in their capacity as equity holders:		
Dividends provided for or paid	(39,606)	(44,282)
Total equity as at 30 June 2007	362,052	359,540

The above Statement of Changes in Equity is to be read in conjunction with the attached notes.

Notes to and forming part of the Financial Statements

For the year ended 30 June 2007

REPORTING ENTITY

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

This financial report for the year ended 30 June 2007 has been authorised for issue by the Board on 24 September 2007.

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.

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 Preparation

The financial statements are a general purpose financial report, which has been prepared in accordance with the *State Owned Corporation Act 1989* and Australian Accounting Standards and the requirements of the *Public Finance and Audit Act 1983* and regulation.

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 2005*.

Property, plant and equipment and investment property are measured at fair value. Other financial report items are prepared in accordance with the historical cost convention.

Judgements, key assumptions and estimations that management has made are disclosed in the relevant notes to the financial report.

1.2 Statement of Compliance

The financial report and notes comply with the Australian Accounting Standards, which include Australian Equivalents to International Financial Reporting Standards (AEIFRS). Compliance with AEIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

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.

1.3 Income Recognition

Income is measured at the fair value of the consideration or contribution received or receivable.

- i. Revenue from sale of land is recognised when the significant risks and rewards of ownership of the land have passed to the buyer and can be measured reliably. Specifically, with respect to property sales, the risk and rewards are considered passed to the buyer at the time of settlement.
- ii. Interest income is recognised as the interest accrues.
- iii. 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.
- iv. Rental income is recognised in accordance with *AASB 117 Leases* on a straight line basis over the term of the lease.
- v. Other income is based on the general principle that there is a right to be compensated for services rendered and it is possible that economic benefits will result and the revenue can be reliably measured.

1.4 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) (refer to Note 1.8).

1.5 Employee Benefits

All liabilities for employee benefits are fully provided for in accordance with *AASB 119 Employee Benefits* (refer to Note 19). Employee benefits applicable to Landcom are shown below.

Salaries and Annual Leave

Liabilities for salaries and annual leave (including non-monetary benefits) are recognised and measured in respect of employees' services up to the reporting date at undiscounted 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 in the future will be greater than the benefits accrued in any reporting period.

Long Service Leave

Long service leave is measured on a nominal value basis and compared to present value calculated in accordance with *AASB 119 Employee Benefits* for all employees with 5 or more years of service in the public sector every three years. The provision is calculated using estimated future increases in salary rates including related on-costs. This is in accordance with *TC07/04 Accounting for Long Service Leave and Annual Leave*.

Notes to and forming part of the Financial Statements

For the year ended 30 June 2007
continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Superannuation

Pillar Administration advises Landcom of the level of liability for Landcom's superannuation commitments to its employees who are members of the various divisions of the scheme. The calculation of the superannuation position is based on actuarial reviews independent of Landcom's ongoing activities and involvement. The main drivers of the actuarial calculations are the level of investment return, salary inflation and CPI increases.

Landcom has an obligation for the deferred benefit contribution which becomes payable on and after retirement of staff. Contribution is made to the State Superannuation Scheme (SSS), the State Authorities Superannuation Scheme (SASS) and the State Authorities Non Contributory Superannuation Scheme (SANCS). The SAS Trustee Corporation through the fund's actuary has determined that prepaid superannuation contributions as at 30 June 2007 for the State Authorities Superannuation Scheme (SASS) the State Authorities Non-Contributory Superannuation Scheme (SANCS) and the State Superannuation Scheme (SSS) was estimated at \$0.029 million (2006: unfunded superannuation contributions \$2.036 million).

Amounts representing prepaid superannuation contributions are recognised as an asset. Amounts representing unfunded superannuation are recognised as a liability. At balance date, the decrease in prepaid contributions from the previous year has been recognised as superannuation expense.

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.

1.6 Insurance

Landcom carries a comprehensive range of insurances covering property, public liability, motor vehicles and other contingencies through the NSW Treasury Managed Fund of self-insurance for Government agencies. The expense (premium) is determined by the Fund Manager based on past claim experience. These insurance policies are reviewed annually to ensure that they are adequate and were current at 30 June 2007. No major claims exist under these policies at 30 June 2007.

1.7 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.

In late 2001, Landcom entered into a lease agreement for one of its offices. Included in the lease agreement was a 6 months rent free period. This incentive is being amortised over the life of the initial 6-year lease term.

1.8 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 Income Statement when it is incurred. Some salary charges and related expenses are subsequently capitalised to projects together with other administrative overheads.

1.9 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.

1.10 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* and as agreed in the Statement of Corporate Intent. For the year ended 30 June 2007, dividend is calculated in accordance with TPP 02-3 Financial Distribution Policy for Government Business. The dividend payable of \$39.61 million is calculated based on profit after tax and adjusted for certain non-cash items of superannuation gains/losses and financial instrument fair value movements of \$2.51 million.

For the year ended 30 June 2006, dividend was paid at 100% of profit after tax.

1.11 Goods and Services Tax

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

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

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

Cash flows are included in the Cash Flow Statement 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.

1.12 Cash and Cash Equivalent

Cash comprises cash on hand and at the bank.

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 Trade and Other Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Any changes are accounted for in the Income Statement when impaired, derecognised or through the amortisation process.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

Interest is charged on overdue settlement monies where agreed settlement dates are not met. The rate of interest applied during the year was 11.90% (11.10% in 2006). 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, works 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 works in progress are expected to be sold within the next 12 months. As the process of development progresses, land projects are reclassified from undeveloped land to works in progress, then, on completion, to developed land for sale.

1.15 Inventories – Land Valuation

All land is valued at the lower of cost and net realisable value. Cost includes acquisition, development and capitalised overhead. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

1.16 Land, Buildings (Sales Offices) and Leasehold Improvements

Land and buildings (sales offices) are revalued every 5 years in accordance with Treasury guidelines (see Note 1.23). The last revaluation was performed in June 2003 by an independent certified practising valuer. These values were based on land and building sales in the areas in which the properties are located.

Sales office buildings are depreciated over 14 years.

Land is not a depreciable asset.

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 2007 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:	3 to 4 years.
Office equipment:	5 to 25 years.
Motor Vehicles:	8 years.

Impairment: The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

1.18 Trade and Other Payables

All trade payables are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Payables are recognised initially at fair value, usually based on transactional cost or face value. Subsequent measurement is at amortised cost using the effective interest rate method. Short-term payables are measured at the original invoice amount where the effect of discounting is immaterial.

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.

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

1.19 Borrowings

All borrowings are recorded at face value net of any premium or discounts. Loans are not held for trading and are recognised at amortised cost using the effective interest method. Premiums and discounts are amortised over the life of the borrowings and charged to the Income Statement. Borrowing costs are recognised as an expense when incurred in accordance with Treasury's Mandate to general Government sector agencies. Gains and losses are recognised in the Income Statement when the liabilities are derecognised as well as through the amortisation process.

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 Financial Instruments

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

Information is disclosed in Note 28, 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.

1.22 Joint Ventures

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

The Quakers Hill joint venture was finalised during the year. The West Pennant Hills joint venture was also finalised during the year with Landcom assuming the remaining liabilities and assets of the joint venture.

1.23 Revaluation of Property, Plant and Equipment

Physical non-current assets are valued in accordance with the "Valuation of Physical Non-Current Assets at Fair Value" Policy and Guidelines Paper (TPP 07-1). This policy adopts fair value in accordance with AASB 116 Property, Plant and Equipment and AASB 140 Investment Property. Information on investment property is separately discussed in Note 1.25.

Property, plant and equipment is measured on an existing use basis, where there are no feasible alternative uses in the existing natural, legal, financial and socio-political environment. However, in the limited circumstances where there are feasible alternative uses, assets are valued at their highest and best use.

Fair value of property, plant and equipment is determined based on the best available market evidence, including current market selling prices for the same or similar assets. Where there is no available market evidence, the asset's fair value is measured at its market buying price, the indicator of which is depreciated replacement cost.

Notes to and forming part of the Financial Statements

For the year ended 30 June 2007
continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Landcom revalues each class of property, plant and equipment at least every 5 years or 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 revaluation 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.

For other assets, any balances of accumulated depreciation 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 the same asset previously recognised as an expense in the Income Statement, the increment is recognised immediately as revenue in the Income Statement.

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

Revaluation increments and decrements are offset against each individual asset and not within a class of assets.

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 earnings.

1.24 Provisions

Provisions are recognised when Landcom has a present obligation (legal or constructive) as a result of a past event, it is probable that Landcom will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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 2007 of any performance building contracts entered into by Landcom.

Provisions for future rectification works relate to any matter outstanding on Landcom projects which have for all intents and purposes been completed. These provisions were originally raised as an estimate of remedial works required on completed projects for which the New South Wales Land and Housing Corporation was responsible prior to the transfer of the former Landcom on 1 July 1993. All future costs that may result in connection with these completed projects are recognised as provisions. An additional project specific provision of \$700,000 was raised during the year for future rectification works.

Provision for rebates is recognised when a lot is sold. As part of the condition of sale, Landcom is committed to make a payment to the purchaser provided certain design criteria are met and applied for within a specified period, usually between 12 and 18 months. This payment represents reimbursement for additional costs incurred by the purchaser in complying with the design criteria set by Landcom. If the time value of money is material, provisions are discounted at the pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability.

1.25 Investment Property

Landcom owns a property classified as an investment property under AASB 140 "Investment Property". Under AASB 140, investment properties are initially measured at cost including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value supported by market evidence at the balance sheet date. Gains or losses arising from changes in fair value of investment properties are included in the Income Statement in the year in which they arise. No depreciation is charged on investment properties.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its use.

Any gains or losses on derecognition of an investment property are recognised in the Income Statement in the year of derecognition.

1.26 Intangible Assets

Computer software costs (licences) and website costs are treated as intangible assets. The useful lives of these intangible assets were estimated as finite and the cost method was utilised for their measurement. Intangible assets are subsequently measured at fair value only if there is an active market. As there is no active market for Landcom's intangible assets, the assets are carried at cost less any accumulated amortisation. Intangible assets are tested for impairment where an indicator of impairment exists.

1.27 Recoverable Amount of Assets

At each reporting date, Landcom assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, Landcom makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Recoverable amount is the greater of fair value less costs to sell and value in use.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.28 Impairment of Financial Assets

All financial assets, except those measured at fair value through profit and loss, are subject to an annual review for impairment. An allowance for impairment is established when there is objective evidence that the entity will not be able to collect all amounts due.

For financial assets carried at amortised cost, the amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment loss is recognised in the Income Statement.

When an available for sale financial asset is impaired, the amount of the cumulative loss is removed from equity and recognised in the Income Statement, based on the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss previously recognised in the Income Statement.

Any reversals of impairment losses are reversed through the Income Statement, where there is objective evidence, except reversals of impairment losses on an investment in an equity instrument classified as "available for sale" must be made through the reserve. Reversals of impairment losses of financial assets carried at amortised cost cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

1.29 Deferred Expenditure

Landcom has deferred expenditure to the extent that it is probable that future economic benefit embodied in the expenditure will eventuate in a future period and can be measured reliably. Deferred expenditure items include participation fees and development costs associated with a Participation Agreement and land tax and are amortised over the period that the future economic benefits will be received.

1.30 Comparatives

No comparative figures had to be repositioned or reclassified in the financial statements to conform with the basis of presentation and classification used in the current year.

1.31 Accounting Standards/ Interpretations issued but not yet effective as at 30/06/2007

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ended 30 June 2007. These are listed as follows:

Accounting Standards or UIGs Issued but not yet effective	Impact to Landcom
AASB 7 & AASB 2005-10	Minimal impact
AASB 8 & AASB 2007-3	No impact
AASB 101	Minimal impact
AASB 123	Minimal impact
AASB 1049	No impact
AASB 2007-4	Minimal Impact
AASB 2007-5	No impact
Interpretation 4	Minimal impact
Interpretation 10	Minimal impact
Interpretation 11 & AASB 2007-1	No impact
Interpretation 12 & AASB 2007-2	No impact
Interpretation 129	No impact

Notes to and forming part of the Financial Statements

For the year ended 30 June 2007
continued

	2007 \$'000	2006 \$'000
2(a) FINANCE INCOME		
Interest from bank	1,154	764
Interest from investment	2,047	1,718
Interest from loan receivable	62	644
Unwinding of the discount rate	1,519	1,447
Interest from late settlement	399	117
	5,181	4,690
2(b) OTHER INCOME		
Management fee – Crown Lands Homesites Program	1,471	1,765
Other management fees	814	–
Rental Income	430	426
Other	891	414
	3,606	2,605
3 MARKETING EXPENSES		
Advertising	5,848	8,023
Sales contractors and commission	651	643
Other	312	985
	6,811	9,651
4 EMPLOYEE RELATED EXPENSES		
Salaries and wages	14,511	14,777
Superannuation – defined benefit plans	(1,530)	(2,343)
Superannuation – defined contribution plans	1,122	1,234
Long service leave	521	428
Recreation leave	1,225	1,108
Workers' compensation insurance	106	35
Payroll tax and fringe benefit tax	1,040	1,232
Other employee related expenses	700	762
	17,695	17,233
5 OTHER OPERATING EXPENSES		
Auditor's remuneration – audit of financial statements	158	170
Operating lease rental expense	1,319	1,271
Maintenance	527	424
Insurance	207	176
General administrative costs	6,412	11,026
Land Tax	13,475	14,064
Project costs written off	4,549	5,769
Property and accommodation expenses	835	653
Consultancy fees	19	115
Bad debts	5	(4)
Gain/(Loss) on value of assets disposed	–	(23)
	27,506	33,641
Transfer of capital costs to inventories	(10,005)	(8,970)
	17,501	24,671

	2007 \$'000	2006 \$'000
6 DEPRECIATION AND AMORTISATION EXPENSE		
Buildings	114	125
Leasehold improvements	696	664
Motor vehicles	1	–
Plant and equipment	403	401
Intangible assets	123	174
	1,337	1,364
7 FINANCE COSTS		
Interest	11,226	11,723
Unwinding of the discount rate	1,041	1,629
Amortisation of loan premium	(368)	(252)
Government guarantee fee	1,876	2,462
	13,775	15,562
8 INCOME TAX		
The major components of income tax expense for the years ended 30 June 2007 and 2006 are:		
Expense in the Income Statement		
Tax expense		
Current	16,161	19,346
Adjustments for prior year	195	(138)
Deferred tax		
Origination and reversal of temporary differences	1,372	(1,752)
Income tax expense reported in the Income Statement	17,728	17,456
Deferred income tax (revenue) /expense included in income tax expense comprises:		
Decrease/(Increase) in deferred tax assets	(1,638)	1,349
(Decrease)/Increase in deferred tax liabilities	266	403
	(1,372)	1,752
A reconciliation between tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the entity's effective income tax rate:		
Accounting profit before tax	59,846	61,738
At the statutory income tax rate of 30% (2006: 30%)	17,954	18,522
Expenditure not allowable for income tax purposes	7	23
Recognition of temporary differences	(428)	(951)
Under/(Over) provided in prior years	195	(138)
Income tax expense/(income) reported in the Income Statement	17,728	17,456
9 CASH AND CASH EQUIVALENTS		
Cash at bank and on hand	103,969	15,384
Cash equivalent assets – Hour-Glass Facility Trusts	–	93,673
	103,969	109,057

Notes to and forming part of the Financial Statements

For the year ended 30 June 2007
continued

	2007 \$'000	2006 \$'000
10 TRADE AND OTHER RECEIVABLES		
Current		
Trade receivables	56,011	20,223
Provision for doubtful debts	(6)	(9)
Crownlands Homesites Program	551	684
NSW Treasury Corporation	–	23
Accrued interest	–	140
Development bonds	1,712	1,529
	58,268	22,590
Non current		
Trade receivables	20,825	25,526
Loan receivables	1,099	1,132
	21,924	26,658
<p>The non-current trade receivable of \$20.825 million (30 June 2006: \$25.526 million) included deferral of payment for sale of land for the project at Wollie Creek of \$14.701 million (30 June 2006: \$12.194 million), receivable for land sold at Prince Henry \$nil (30 June 2006: \$7.442 million) and \$6.124 million receivable from Department of Community Services for development at Renwick (30 June 2006 – \$5.890 million).</p> <p>Non-current loan receivable represents second mortgages with purchasers of properties sold at Stanhope Gardens amounting to \$1.099 million (30 June 2006: \$1.132 million) as part of Landcom's moderate income housing programme. The second mortgages must be repaid within 13 years or on sale of the properties, whichever comes first. During 2006/2007, one purchaser has repaid the loan.</p>		
11 INVENTORIES		
Current		
Works in progress of land at cost	57,081	61,367
Developed land at cost	69,417	67,259
	126,498	128,626
Non-current		
Undeveloped land at cost	365,006	381,827
	365,006	381,827
Land held for resale	491,504	510,453
Details of land held for resale are:		
Acquisition costs	286,199	286,118
Development costs	168,845	194,209
Other costs	36,460	30,126
	491,504	510,453
12 OTHER		
Current		
Prepayments	12,711	7,644
Deferred land tax expenditure	7,446	–
	20,157	7,644
Non-current		
Deferred expenditure	12,371	5,786
	12,371	5,786

	2007 \$'000	2006 \$'000
13 NON-CURRENT PROPERTY, PLANT AND EQUIPMENT		
Land		
At fair value	974	974
Buildings		
At Gross Carrying Amount	1,628	1,628
Accumulated depreciation	(340)	(226)
Net Carrying Amount at Fair Value	1,288	1,402
Leasehold improvements		
At Gross Carrying Amount	3,760	3,222
Accumulated depreciation	(2,711)	(2,015)
Net Carrying Amount at Fair Value	1,049	1,207
Motor vehicles		
At Gross Carrying Amount	48	–
Accumulated depreciation	(1)	–
Net Carrying Amount at Fair Value	47	–
Plant and equipment		
At Gross Carrying Amount	3,636	3,327
Accumulated depreciation	(2,174)	(1,821)
Net Carrying Amount at Fair Value	1,462	1,506
Total Net carrying amount	4,820	5,089

Reconciliation

A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the current reporting period is set out below:

	Land \$'000	Buildings \$'000	Leasehold improvements \$'000	Motor vehicles \$'000	Plant & equipment \$'000	Total \$'000
2007						
Net carrying amount at the start of year	974	1,402	1,207	–	1,506	5,089
Additions	–	–	538	48	359	945
Depreciation expense	–	(114)	(696)	(1)	(403)	(1,214)
Net carrying amount at the end of the year	974	1,288	1,049	47	1,462	4,820

Reconciliation

A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the previous reporting period is set out below:

	Land \$'000	Buildings \$'000	Leasehold improvements \$'000	Motor vehicles \$'000	Plant & equipment \$'000	Total \$'000
2006						
Net carrying amount at the start of year	1,094	1,635	1,531	–	1,598	5,858
Additions	–	26	340	–	315	681
Disposals	(120)	(134)	–	–	(6)	(260)
Depreciation expense	–	(125)	(664)	–	(401)	(1,190)
Net carrying amount at end of the year	974	1,402	1,207	–	1,506	5,089

Notes to and forming part of the Financial Statements

For the year ended 30 June 2007
continued

	2007 \$'000	2006 \$'000
14 INVESTMENT PROPERTIES		
Fair value		
Opening balance as at 1 July	3,800	4,482
Additions	–	109
Net gain/(loss) from fair value adjustment	1,450	(791)
Closing balance as at 30 June	5,250	3,800

During the current financial year investment property was valued at fair value by M J Davis Valuations Pty Ltd, an independent, professionally qualified valuer with recent experience in the location and category of the investment properties. The same valuer conducted the valuation in the prior year.

15 INTANGIBLE ASSETS

Computer software and website		
Net carrying amount at start of year	238	369
Additions	23	43
Amortisation	(123)	(174)
Net carrying amount at end of year	138	238

The following estimated useful lives are used in the calculation of amortisation for intangible assets:

Computer software:	4 years
Website cost:	5 years

16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Joint Venture Entities		Ownership interest	
		2007 %	2006 %
Name of joint venture entity	Principal activity		
Quakers Hill Project Joint Venture	Development for retail sales	–	50
West Pennant Hills Project Joint Venture	Development for retail sales	–	50

Both of these joint ventures ceased operation prior to 30 June 2007.

	2007 \$'000	2006 \$'000
Movement in investment in joint venture		
Carrying amount of investment at the beginning of the financial year	224	4,447
	224	4,447
Equity accounted amount of investments at the beginning of the financial year	224	4,447
Share of net (loss)/ profit	(44)	146
Return of Equity	(180)	(4,300)
Distribution from joint venture entities	–	(69)
Equity accounted amount of investment at the end of financial year	–	224

	2007 \$'000	2006 \$'000
17 DEFERRED TAX ASSETS		
Depreciation	283	589
Provisions	1,546	951
Sundry	7	30
Fair value adjustments	1,401	1,687
Accruals	147	–
Unrealised investments	–	1,185
Defined benefit deficit	–	580
	3,384	5,022
Movements		
Opening balance at 1 July	5,022	3,673
Credited/(charge) to the income statement	(1,638)	1,349
Closing balance as at 30 June	3,384	5,022
18 TRADE AND OTHER PAYABLES		
Current		
Trade payables	35,331	22,073
Crown Lands Homesites Program	1,114	–
Security deposits received	3,347	3,473
Bonds and deposits held	4,948	4,082
Accrued expenses	23,611	19,806
Retentions	631	515
Land tax equivalent	–	8,696
	68,982	58,645
Non-current		
Trade payables	–	9,736
Security deposits received	6,592	9,068
Accrued expenses	494	468
	7,086	19,272
19 PROVISIONS		
Employee benefits – current		
Provision for annual leave	1,485	1,326
Provision for long service leave		
– Expected to be settled within 12 months	309	284
– Expected to be settled after 12 months	2,776	2,574
Provision for superannuation liability	–	2,036
Accrued on-costs	503	594
Other	104	–
	5,177	6,814
Employee benefits – non-current		
Provision for long service leave	168	153
Accrued on-costs	20	20
	188	173
Total employee benefits	5,365	6,987
Other provisions – current		
Provision to complete projects	25,657	15,424
Provision for rebates	1,366	–
Provision for distribution to NSW Treasury	39,606	44,282
Provision for future rectification works	2,440	615
	69,069	60,321

Notes to and forming part of the Financial Statements

For the year ended 30 June 2007
continued

	2007 \$'000	2006 \$'000
19 PROVISIONS (continued)		
Other provisions – non-current		
Provision to complete projects	1,181	4,719
Provision for future rectification works	–	2,000
	1,181	6,719
Total current and non-current provisions		
Current liability	74,246	67,135
Non-current liability	1,369	6,892
	75,615	74,027

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

2007	Provision for distribution to NSW Treasury \$'000	Provision for rectification works \$'000	Provision for rebates \$'000	Provision to complete projects \$'000
Carrying amount at beginning of year	(44,282)	(2,615)	–	(20,143)
Additional provisions recognised	(39,606)	(700)	(3,334)	(10,787)
Reductions in provisions from payments	44,282	875	1,968	4,227
Reductions in provisions from re-measurement	–	–	–	(135)
Carrying amount at end of year	(39,606)	(2,440)	(1,366)	(26,838)

20 SUPERANNUATION

An actuarial assessment of the superannuation schemes as at 30 June 2007 was carried out by the Fund's actuary in accordance with AASB 119 Employee Benefits.

The following tables summarise the components of net benefit expense recognised in the income statement and the funded status and amounts recognised in the balance sheet for the respective plans as required by AASB 119 Employee Benefits and as mandated by NSW Treasury.

	2007 \$'000	2006 \$'000
Total expenses recognised in the income statement		
Current service cost	450	513
Interest cost on benefit obligations	1,114	1,064
Expected return on plan assets	(1,300)	(1,073)
Net actuarial losses/(gains) recognised in the year	(1,794)	(2,847)
Total included in employee benefits expense	(1,530)	(2,343)
Actual return on plan assets	2,426	2,214
Benefit (asset)/liability		
Present value of defined benefit obligations	19,468	18,981
Fair value plan assets	(19,498)	(16,945)
	(30)	2,036
Net benefit (asset)/liability to be disclosed in the balance sheet	(30)	2,036
Movement in benefit (asset)/liability recognised in balance sheet		
Net (asset)/liability at the start of the year	2,036	4,890
Net (revenue)/expense recognised in the income statement	(1,530)	(2,343)
Contributions	(536)	(511)
Net (asset)/liability to be disclosed in the balance sheet	(30)	2,036

20 SUPERANNUATION (continued)

The principal actuarial assumptions used in determining pension benefit obligations at the reporting date are shown below:

	2007 %	2006 %
Discount rate at 30 June	6.4	5.9
Expected return on plan assets at 30 June	7.6	7.6
Expected salary increases	4.0	4.0
Expected rate of CPI increase	2.5	2.5

All Fund assets are invested by Superannuation Trustee Corporation (STC) at arm's length through independent fund managers.

The following is a summary of the defined pension fund as extracted from the plans most recent financial report determined in accordance with AAS 25 "Financial Reporting by Superannuation Plans".

	2007 \$'000	2006 \$'000
Accrued benefits	18,201	16,569
Net market value of Fund assets	(19,499)	(16,945)
Net (surplus)/deficit	(1,298)	(376)

	2007	2006
Recommended contribution rates for the entity are:		
SASS Multiple of member contribution	1.90	1.90
SANCS % Member salary	2.50	2.50
SSS Multiple of member contributions	1.60	1.60

The method used to determine the employer contribution recommendations at the last actuarial review was the Aggregate Funding method. The method adopted affects the timing of the cost to the employer.

Under the Aggregate Funding method, the employer contribution rate is determined so that sufficient assets will be available to meet benefit payments to existing members, taking into account the current value of assets and future contributions.

The economic assumptions adopted for the last actuarial review of the Fund were:

Weighted-average assumptions	2007 %	2006 %
Expected rate of return on Funds assets	7.7	7.3
Expected rate of return on Funds assets backing other liabilities	7.0	7.0
Expected salary increase rate	4.0	4.0
Expected rate of CPI increase	2.5	2.5

Nature of asset/liability

If a surplus exists in the employer's interest in the Fund, the employer may be able to take advantage of it in the form of a reduction in the required contribution rate, depending on the advice of the Fund's actuary.

Where a deficiency exists, the employer is responsible for any difference between the employer's share of Fund assets and the defined benefit obligation.

Notes to and forming part of the Financial Statements

For the year ended 30 June 2007
continued

	2007 \$'000	2006 \$'000
21 BORROWINGS		
Current		
Unsecured loans at face value	30,000	30,000
Total Current Borrowings	30,000	30,000
Non-current		
Unsecured loans at face value	172,907	142,907
Unamortised discounts	1,414	1,790
Total Non-Current Borrowings	174,321	144,697
Repayment of borrowings		
Not later than 1 year	30,000	30,000
Between 1 and 5 years	174,321	144,697
Total borrowings	204,321	174,697
22 DEFERRED TAX LIABILITIES		
The balance comprises temporary differences attributable to:		
Revalued assets	–	93
Fair value adjustments	400	542
Accrued interest	–	42
Prepayments	11	–
	411	677
Movements		
Opening Balance at 1 July	677	1,109
Credited/(charge) to the Income Statement	(266)	(403)
Debited/(charge) to Equity	–	(29)
Closing balance as at 30 June	411	677
23 OTHER LIABILITIES		
Lease incentive:		
Current liability	22	44
Non-current liability	–	22
	22	66
24 CONTRIBUTED EQUITY		
Balance at the beginning of financial year	275,847	275,847
Balance at the end of financial year	275,847	275,847
25 RESERVES		
Asset revaluation		
Balance at the beginning of financial year	218	284
Transfer to retained earnings upon disposal of assets	–	(95)
Transfer to deferred tax liability in accordance with AASB 112 Income Tax	–	29
Balance at end of financial year	218	218

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

	2007 \$'000	2006 \$'000
26 RETAINED EARNINGS		
Balance at beginning of financial year	83,475	87,694
Changes in equity – other than transactions with equity holders as equity holders		
Net profit for the year	42,118	44,282
Transfer from Reserves	–	95
Adjustments on adoption of AASB 132 and AASB 139	–	(4,314)
Changing equity – Transaction with equity holders as equity holders		
Dividends to NSW Treasury	(39,606)	(44,282)
Balance at end of financial year	85,987	83,475
27 CASH FLOW STATEMENT		
(a) For the purpose of the Cash Flow Statement, cash and cash equivalent includes cash at bank, cash in hand and investment in Hour-Glass Facilities with TCorp. Cash at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:		
Cash and cash equivalents (see note 9)	103,969	109,057
(b) Reconciliation from the net profit after tax to the net cash flows from operations:		
Net profit	42,118	44,282
Depreciation and amortisation	1,337	1,364
(Profit)/Loss from sale of plant	–	(23)
Bad debts	5	(4)
Amortisation of loan premiums	(368)	(252)
Share of joint venture entities (profit)/loss	44	(146)
Change in fair value of investment property	(1,450)	791
Change in assets and liabilities		
Increase/(decrease) in provisions	(8,773)	(3,782)
Increase/(decrease) in payables	6,537	11,307
(Increase)/decrease in receivables	(48,323)	(13,119)
(Increase)/decrease in inventory	18,949	21,138
Net cash (used in)/provided by operating activities	10,076	61,556

Notes to and forming part of the Financial Statements

For the year ended 30 June 2007
continued

28 FINANCIAL INSTRUMENTS

(This note is to be read in conjunction with Note 1.21)

(a) Interest Rate Risk

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

(b) Credit Risk

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

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.

2007 Financial instrument	Note	Floating interest rate \$'000	Fixed Interest rate maturing in:				Non- interest- bearing \$'000	Carrying amount as per Balance Sheet \$'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 and cash equivalent assets	9	103,962	–	–	–	–	7	103,969
Trade and other receivables	10	21,924	–	–	–	–	58,268	80,192
Total financial assets		125,886	–	–	–	–	58,275	184,161
Weighted average interest rate		5.86%						
Financial Liabilities								
Borrowings	21	–	30,000	60,000	114,321	–	–	204,321
Trade and other payables	18	7,086	–	–	–	–	68,982	76,068
Total financial liabilities		7,086	30,000	60,000	114,321	–	68,982	280,389
Weighted average interest rate		6.41%	5.51%	5.82%	6.36%			
Net financial assets/(liabilities)		118,800	(30,000)	(60,000)	(114,321)	–	(10,707)	(96,228)

28 FINANCIAL INSTRUMENTS (continued)

2006 Financial instrument	Note	Floating interest rate \$'000	Fixed Interest rate maturing in:				Non- interest- bearing \$'000	Carrying amount as per Balance Sheet \$'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 and cash equivalent assets	9,26	109,050	–	–	–	–	7	109,057
Trade and other receivables	10	26,658	–	–	–	–	22,590	49,248
Total financial assets		135,708	–	–	–	–	22,597	158,305
Weighted average interest rate		5.03%						
Financial Liabilities								
Borrowings	21	–	30,000	29,996	114,701	–	–	174,697
Trade and other payables	18	19,272	–	–	–	–	58,645	77,917
Total financial liabilities		19,272	30,000	29,996	114,701	–	58,645	252,614
Weighted average interest rate		6.05%	4.88%	5.51%	6.16%			
Net financial assets/(liabilities)		116,436	(30,000)	(29,996)	(114,701)	–	(36,048)	(94,309)

(c) Net Fair Value

As stated in Note 1.21, all financial instruments are carried at net fair value, unless stated otherwise.

(d) Derivatives

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

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

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

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

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.

Notes to and forming part of the Financial Statements

For the year ended 30 June 2007
continued

28 FINANCIAL INSTRUMENTS (continued)

Net Exposure

The market value of Landcom's transaction in derivative financial instruments outstanding at 30 June 2007 is as follows:

	2007 \$'000	2006 \$'000
Derivative financial instruments receivable/(payable)		
Loan receivable/(payable) from/to TCorp	198	(159)
Net amount receivable/(payable) under derivatives financial instruments	198	(159)

29 EXPENDITURE COMMITMENTS

a) Expenditure Commitments

Aggregate expenditure contracted for at balance date but not provided for:
Not later than one year

2,344 4,801

Total (including GST)

2,344 4,801

The total expenditure commitments above include input tax credits of \$0.213 million that are expected to be recoverable from the ATO (30 June 2006: \$0.436 million).

b) Operating Lease Commitments

Future non-cancellable operating lease rentals not provided for and payable:

Not later than one year

788 1,299

Later than one year but not later than five years

647 989

Total (including GST)

1,435 2,288

The total lease expenditure commitments above include input tax credits of \$0.130 million that are expected to be recoverable from the ATO (30 June 2006: \$0.208 million).

30 CONTINGENT LIABILITIES

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

- (a) Landcom has commenced the Seconds 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 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.
- (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 Views 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 Gardens 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 currently estimated as \$2.44M subject to final negotiations.
- (f) Landcom has commenced the Rouse Hill Regional Centre Project. The Department of Planning (DOP) 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 contract, Landcom has an option to purchase the site from DOP for a total amount of \$71 million. As a compensation, Landcom can recover \$50 million from Lend Lease and GPT for default under the contract.
- (g) Landcom has commenced the Sanctuary 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 will be based on damages to the contractor. As an 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 \$6.9 million. (2006: \$8.5 million).

31 RELATED PARTY TRANSACTIONS

i. Specific 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
Chris Carroll (Resigned on 8 February 2007)
Robyn Clubb
Gae Raby

ii. Specific Executives

Mick Owens	General Manager Development
Kerry Robinson	General Manager Development
Geoff Joyce	General Manager Development
Greg South	General Manager Corporate and Finance/Corporate Secretary
David Craig	General Manager Corporate Marketing (Resigned on 16 March 2007)

Notes to and forming part of the Financial Statements

For the year ended 30 June 2007
continued

31 RELATED PARTY TRANSACTIONS (continued)

iii. Compensation of Key Management Personnel Paid during the financial year

2007	Short-term employee benefits \$'000	Bonus \$'000	Other \$'000	Post-employment benefits \$'000	Total \$'000
Directors					
William Kirkby-Jones	95	–	5	–	100
Neil Bird	74	–	–	6	80
Chris Carroll	42	–	–	3	45
Gae Raby	63	–	–	5	68
Robyn Clubb	65	–	–	6	71
Executives					
Sean O'Toole	366	55	8	32	461
Mick Owens	196	26	7	19	248
Kerry Robinson	194	17	2	23	236
Geoff Joyce	153	30	–	89	272
Greg South	231	24	–	24	279
David Craig	144	33	3	17	197
30 June 2007 Total Compensation	1,623	185	25	224	2,057

2006	Short-term employee benefits \$'000	Bonus \$'000	Other \$'000	Post-employment benefits \$'000	Total \$'000
Directors					
William Kirkby-Jones	91	–	8	8	107
Neil Bird	82	–	–	7	89
Penny Morris	58	–	–	5	63
Chris Carroll	67	–	–	6	73
Gae Raby	62	–	–	6	68
Robyn Clubb	63	–	–	6	69
Executives					
Sean O'Toole	285	30	7	25	347
Mick Owens	186	20	5	17	228
Kerry Robinson	160	12	3	19	194
Geoff Joyce	168	26	2	53	249
Greg South	204	20	4	12	240
David Craig	183	16	8	12	219
30 June 2006 Total Compensation	1,609	124	37	176	1,946

All transactions by Landcom with Key Management Personnel are conducted on an arm's length basis in the normal course of business and on commercial terms and conditions.

There are no outstanding balances relating to any Key Management Personnel.

There have been no guarantees provided or received for any Key Management Personnel.

32 POST BALANCE SHEET EVENTS

There have been no material post balance sheet events which would require disclosure or adjustments to the 30 June 2007 Financial Statements.

END OF AUDITED FINANCIAL STATEMENTS

Statutory Requirements

Charter and Function

Landcom is constituted under the Landcom Corporation Act 2001 as a State Owned Corporation. The principal objectives of the Corporation are set out on page 2 of this Report.

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.

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.

Board of Directors, meetings and committees

The Board of Directors is constituted under Section 8 of the Landcom Corporation Act 2001. The Board consists of Directors appointed by the Governor of NSW on the recommendation of the voting shareholders, after consultation with the Portfolio Minister. The current Board has varying terms of appointment ranging from 2 to 4 years and there are currently 2 vacant positions pending appointment.

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

The Directors are:

Mr William Kirkby-Jones AM – Chairman
 Mr Neil Bird AM – Deputy Chairman
 Mr Sean O'Toole – Managing Director
 Ms Robyn Clubb – Director
 Ms Gae Raby – Director
 Mr Chris Carroll – Director*

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

The Board has also established 4 committees and membership of these committees is reviewed on an annual basis. Membership of the committees during the reporting period was as follows:

Audit and Risk Management Committee

Ms Robyn Clubb – Chairman
 Mr Neil Bird AM
 Ms Gae Raby

Marketing and Sales Committee

Mr Chris Carroll – Chairman*
 Mr Neil Bird – Chairman **
 Ms Robyn Clubb
 Mr William Kirkby-Jones AM
 Mr Sean O'Toole

Information Technology Committee

Ms Gae Raby – Chairman
 Mr Neil Bird AM
 Mr William Kirkby-Jones AM
 Mr Sean O'Toole

Remuneration Committee

Committee of the whole Board.

During the reporting period, 15 meetings were held. The number of meetings attended by each Director was as follows:

Director	Number of Possible Meetings ¹	Board Meetings Attended
W Kirkby-Jones AM	15	15
N Bird AM	15	14
S O'Toole	15	15
R Clubb	15	14
C Carroll*	7	6
G Raby	15	13

¹ There were 11 meetings and 4 intercessional meetings held during the reporting period.

* Mr Carroll resigned from the Board effective 31 January 2007.

** Mr Bird was appointed as Chairman of the Marketing Committee effective 28 May 2007.

RISK MANAGEMENT AND INSURANCE ACTIVITIES

Risk Management

Landcom implements a standard approach and methodology for the process and practice of risk management consistent with the requirements of the Australian/ New Zealand Risk Management Standard AS/NZS 4360:2004.

To ensure that the risk management process works effectively, Landcom has:

- commitment from the Board, Managing Director, Executive, and all staff;
- assigned responsibilities within the organisation; and
- allocated appropriate resources for training and the development of enhanced risk awareness by all stakeholders.

Statutory Requirements

continued

The Board reviews the major operational risks to the organisation on a monthly basis and the inherent risks on a quarterly basis.

Business Continuity

Landcom continues to review and implement actions relating to the management of business continuity. As part of this process Landcom's Business Continuity Plan was updated in December 2006. The Plan objective puts in place procedures to build operational resilience to adverse incidents, minimising the impact of a disaster, enabling business to continue with minimum impact on stakeholders.

Testing of the business continuity plan continued during the reporting period with a focus on disaster recovery rehearsals. These rehearsals included workplace recovery and critical business functions such as payment processing, fixed assets, corporate allocations, sales and conveyancing and documents management. These tests covered more than 90% of Landcom's critical IT systems and confirmed our ability to recover key business processes.

Insurance

Landcom's insurance cover is provided by the NSW Treasury Managed Fund. 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 self-insurance scheme is administered by the GIO General Limited for risks relating to motor vehicle, property, public liability and directors/officers liability. Workers' Compensation Insurance is administered by Allianz Australia Insurance Limited under the Treasury Managed Fund.

Landcom completed its 2007/2008 Renewal Declarations for Treasury Managed Fund in November 2006 and renewed all covers for the 2007/2008 year.

FREEDOM OF INFORMATION

During 2006/2007 Landcom received 11 Freedom of Information requests and continued work on one request from the 2004/2005 reporting period. Nine of these requests were received from agencies seeking agreement to release documents. The release of the information was agreed to in all 11 requests. Landcom's Summary of Affairs was published in the NSW Government Gazette in June 2007 and its Statement of Affairs updated.

Freedom of Information Statistics

The following table shows all categories affected by *Freedom of Information Act 1989* requests in 2005/2006 and 2006/2007.

	Total 2005/2006	Total 2006/2007
Total Number of FOI Requests	8	12
Completed	7	11
Unfinished	1	1
What happened to completed requests?		
Granted in full	4	11
Granted in part	1	1
Applicant Refused	2	0
FOI Requests granted in part or refused?		
Section 22 – Advanced deposit not paid	2	0
Section 25 – Diversion of resources	0	0
Section 25 – Documents available free of charge	0	0
Section 25 – Exempt	1	1
Costs and Fees of requests processed		
Assessed Costs	>\$40,000	>\$10,000
FOI Fees Received	\$120	\$30
Discounts Allowed	0	0
Days to Process		
0-21	3	11
22-35	2	0
Over 35	2	1
Processing Time		
0-10 hrs	2	8
21-40 hrs	5	4
Reviews and Appeals		
Number of internal reviews	0	0
Administrative Decision Tribunal	0	0

PRIVACY

Landcom is committed to ensuring that the privacy of individuals is protected under the Privacy and Personal Information Protection Act 1998 (NSW) and the Privacy Amendment (Private Sector) Act 2000 (Commonwealth) as applicable.

Landcom's Privacy Management Plan is based on the 12 information principles, which establish standards for using personal information.

There were no complaints made relating to the use of personal information during the reporting year.

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

FOI and Privacy Coordinator

Landcom
PO Box 237
Parramatta NSW 2124

or email:
enquiry@landcom.nsw.gov.au

PROMOTION

During the year, Landcom produced a number of publications to promote the release of land, with each land release being supported by a sales plan and an advertising campaign. Additionally, corporate information was communicated to Landcom stakeholders through the following: Annual and Sustainability Report 2005/2006; Landmarks Spring 2006 and Summer 2007; Street Design Guidelines and Landcom's website at www.landcom.com.au.

PRODUCTION COST OF ANNUAL REPORT

The overall cost of producing and printing 2,000 copies of the 2006/2007 Annual Report is estimated at \$48,500.

CONSUMER RESPONSE

Landcom has continued to be 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 Program. This process continues to ensure that Landcom provides product that is well targeted and delivers on both government and community expectations.

Landcom has in place a complaints / compliments handling system which welcomes feedback from all its stakeholders. This system is supported by a policy and procedures which provide guidance to staff and customers on the complaints handling process relating to products, services, conduct, and other policies and procedures. The complaints are reviewed by the Executive and are analysed to determine if there is cause to implement corrective or preventative action. The majority of complaints are dealt with within 7 days of receipt.

Category of Complaint	Number of Complaints 2006/2007
Design	8
Environment	9
Marketing	4
Crime	4
Miscellaneous	5
Total	31

Landcom also received 7 formal compliments relating to customer service and management of the environment.

CODE OF CONDUCT

Landcom places paramount importance on integrity, probity and the promotion of a positive and responsive attitude. The Code of Conduct supports these values and has 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, reinforcing employee obligations and the Government's broader codes of practice. It applies to all Landcom staff and Directors. All staff commencing employment with Landcom are briefed on the Code during their induction to the organisation and required to sign an Acknowledgement Form which accompanies the Code of Conduct.

The Code of Conduct was last updated in December 2006.

CONSULTANTS

The amount spent on consultants during the 2006/2007 financial year totalled \$19,000. The engagements were for facilitation of Landcom's strategic planning workshop.

OCCUPATIONAL HEALTH AND SAFETY

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

An Internal Audit review of Landcom's OH&S framework and performance was undertaken against the NSW Government "Taking Safety Seriously" and "Working Together" strategies.

Centralised accountability for the OH&S System and processes underpinning OH&S Management is held by the General Manager Corporate and Finance. An Occupational Health and Safety Consultation Committee operates with staff volunteers and nominated employees in accordance with Landcom's Occupational Health and Safety Policy.

The Committee meets quarterly to review OH&S issues previously raised and new issues or near miss incidents otherwise brought to the notice of the Committee.

The OH&S System and processes have enabled;

- A forum for employees and management to openly discuss occupational, health and safety concerns.
- An adequate regime of prevention, inspection, identification and reduction of occupational, health and safety hazards.
- A continuous improvement philosophy to occupational, health and safety within Landcom.
- Hazard identification inspections at all employee locations using defined checklists.
- Maintenance of an OH&S actions database to monitor the status of hazard elimination or mitigation.

Landcom incurred 1 journey claim during the reporting period but, significantly, there were no injuries sustained across Landcom's business.

OVERSEAS TRIPS

There were no overseas trips undertaken during the 2006/2007 year.

ETHNIC AFFAIRS PRIORITIES STATEMENT 2007-2009 (EAPS)

Landcom's Ethnic Affairs Priorities Statement is delivered through extensive community consultation before and during the development and marketing/sales phases of projects.

Landcom communicates with the community through its Community Welcome and Development Program and through stakeholder consultation programs. The Landcom Community Welcome and Development Program provides services and home "welcome" visits to Landcom customers who move into Landcom estates.

Over the past year, Landcom's Community Welcome and Development Program made contact with over 500 households in 9 new housing estates. Approximately 15%-20% 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 community members who were from non-English speaking backgrounds and to bring different community groups together.

Landcom initiated a Walking School Bus project at Parklea Public School during 2006/2007. Parklea Public School is located in the suburb of Glenwood which is significantly Culturally and Linguistically Diverse (CALD) with more than 35% of households speaking a language other than English (ABS 2006). The project has had significant social outcomes and has seen participation from a high proportion of CALD families.

"Harmony Day" events were also held at Blacktown and Shellharbour. These were a celebration of diversity and multiculturalism within those communities. 34% of Blacktown residents and 19% of Shellharbour residents were born overseas (ABS 2006).

Landcom has a Stakeholder Consultation Workbook which provides guidelines to the project teams when planning their community engagement activities. The Workbook includes information for effectively engaging members of ethnic minority groups and providing interpreters and written translation services.

All of Landcom's promotional materials for its residential developments provide references to the availability of interpreter and translation services. Posters detailing the Department of Immigration and Multicultural Affairs' Translating and Interpreting Services (TIS) are on display in all Landcom sales offices.

Merit selection practices are utilised in all Landcom recruitment and job advertisements include the statement "applicants are required to have an understanding of and commitment to the Ethnic Affairs Priority Statement". In addition, staff training is conducted annually which incorporates cross cultural components.

Over the next three years, Landcom will continue to implement and review its performance against its Ethnic Affairs Priority Statement.

Statutory Requirements

continued

EAPS 2007-2009: Performance report

The priorities established for Landcom during 2006/2007 and the details of Landcom's performance against these priorities are set out in the table below:

Ethnic Affairs Initiative	Key Result Area	Strategies/Tasks	Responsibility	Resources/Budget	Performance Indicators	Report 2006/2007	Goals for 2007/2008
Develop and implement stakeholder consultation plans in accordance with Landcom's Stakeholder Consultation Workbook.	Social Justice. [1.9 Planning for Cultural Diversity]	Ensure that each project does not proceed without first having a stakeholder consultation plan. (Australian Bureau of Statistics demographic data to be used to develop the consultation plan, which is inclusive of ethnic communities.)	General Managers Development	Project budgets	100% of projects	100% of current projects had a formal stakeholder consultation plan.	100% of current projects to have a formal stakeholder consultation plan.
		Establish a register of stakeholder consultation plans.	General Manager, Corporate Marketing	Division budget	Register established (timeliness).	100% of current projects to report on implemented community consultation activities.	100% of current projects to report on implemented community consultation activities.
Improve provision of information concerning interpretive and translation services in all relevant Landcom marketing and sales material.	Social Justice. [1.7 Access to interpreters and translators]	Review current marketing and sales material for appropriate information.	General Manager, Corporate Marketing	Marketing budget	Review complete (timeliness).	Translating and Interpreting Services (TIS) established in all offices. References to TIS made on Landcom website. Interpreters used for specific community meetings. Marketing materials now include references to TIS services.	
Use census data to identify languages spoken by emerging communities in Landcom estates.	Social Justice. [1.7 Access to interpreters and translators]	Arrange for access to interpretive and translation services and provision of Welcome Program information in key community languages.	Director, Sustainability & Policy and General Manager Corporate Marketing	Project budgets	Review complete (timeliness)		Review census data for all Landcom projects where there is an active Welcome Program.
CALD community based organisations actively encouraged to tender for the delivery of Landcom's Welcome Program in new estates.	Social Justice [1.9 Planning for Cultural Diversity]	Facilitate information sessions prior to the Expressions of Interest process, outlining the role and benefit of Landcom's Welcome Program.	Director, Sustainability & Policy	Project budgets	Number of CALD community based organisations submitting EOIs for the delivery of new Welcome Programs.		A CALD community based organisation delivering Welcome Program to mainstream Landcom communities.
Through market research identify strategies to increase participation by CALD young people in Welcome Program.	Social Justice [1.9 Planning for Cultural Diversity]	Undertake consultation with young people in established Landcom communities.	Director, Sustainability & Policy and General Manager Corporate Marketing	Marketing and/or project budgets	Research project completed (timeliness)		Research project completed and results integrated into Welcome and Community Development Projects.
Develop strategic partnerships with CALD community based organisations for delivery of Community Development initiatives in Landcom estates.	Community Harmony [2.1 Community Development]	Invite CALD organisations to submit proposals for community development initiatives in Landcom estates.	Director, Sustainability & Policy	Division budget	Partnership established		Establish partnership and explore opportunities for Community Development initiatives targeting Landcom CALD communities.

EQUAL EMPLOYMENT OPPORTUNITY (EEO)

Landcom is an Equal Opportunity Employer. Landcom has in place an EEO Policy and a Code of Conduct which prescribes the organisation's commitment to EEO.

In accordance with Landcom's EEO Plan, initiatives completed for 2006/2007 are highlighted below:

- Ensured all new employees receive an induction and are aware of Landcom's policies on OHS, Fair Treatment at Work and Grievance Procedures, and the Working from Home Policy.
- Promoted professional development opportunities for all staff through career and development plans as part of performance reviews.
- Continued to conduct update training, when necessary, on Merit Recruitment Principles.
- Continued to seek an employment opportunity for an Indigenous person through the development of a Landcom Indigenous Scholarship.
- Offered Coaching/Mentoring through Landcom's Training and Development Program which provides a structure for the growth and development of employees.
- Conducted annual EEO training for new employees.

NSW Government Action Plan for Women

The following actions have been taken to meet the objectives of the NSW Government Action Plan for Women:

- Promoted through Landcom's performance management cycle, the development of career plans for all women, including access to professional development programs.
- Promoted Landcom's annual Training and Development Program, including Coaching and Mentoring.
- Ensured access to part-time employment arrangements.
- Ensured access to Landcom's Working from Home Policy.

REMUNERATION OF SENIOR EXECUTIVES AT OR ABOVE SENIOR EXECUTIVE SERVICE (SES) LEVEL 5

The total remuneration is calculated as the total cost of employment, including contributions to a superannuation scheme by Landcom and novated lease payments for a motor vehicle, where such an option has been exercised.

Payment of the "at risk" component is determined based on the performance of both Landcom and the individual senior executive.

EXECUTIVES WITH REMUNERATION EQUAL TO OR EXCEEDING SES LEVEL 1

Number of executives with remuneration equal to or exceeding equivalent of SES level 1 (excluding SES Level 5 or above) at the end of the current reporting year: 19

Number of such positions filled by women in the current year: 3

EEO Group	Benchmark or Target	2004	2005	2006	2007
Women	50%	45%	42%	40%	41%
Aboriginal people and Torres Strait Islanders	2%				0%
People whose first language was not English	20%	27%	24%	26%	28%
People with a disability	12%	1%	1%	1%	1%
People with a disability requiring work-related adjustment	7%				0%

Statutory Requirements

continued

Executive	Position	Base remuneration paid 2006/2007	At Risk Paid 2005/2006	Total	Key Achievements
Sean O'Toole	Managing Director	\$398,302	\$55,000	\$453,302	<ul style="list-style-type: none"> - Achieved key financial targets. - Ensured project delivery agreements, development approvals and relevant documentation in place in anticipation of a market upturn. - Ensured the timely delivery of all project milestones by further developing a 'sense of urgency' within Landcom. - Implemented the asset realisation program. - Undertook a review of projects to identify cost and time savings to improve Return on Assets, without jeopardising project outcomes. - Put in place programs and measures to build staff skills to match the Corporation's needs. - Developed and fostered good relationships with key stakeholders.
Geoff Joyce	General Manager Development	\$242,085	\$30,000	\$272,085	<ul style="list-style-type: none"> - Achieved key financial targets. - Ensured project delivery agreements, development approvals and relevant documentation in place in anticipation of a market upturn. - Ensured the timely delivery of project milestones by further developing a 'sense of urgency' within Landcom. - Assisted in the delivery, and achievement, of the asset realisation program. - Undertook a review of projects to identify cost and time savings to improve Return on Assets, without jeopardising project outcomes. - Contributed to programs and measures in order to build staff skills to match the Corporation's needs. - Developed and fostered good relationships with key stakeholders.
Mick Owens	General Manager Development	\$215,215	\$26,000	\$241,215	<ul style="list-style-type: none"> - Achieved key financial targets. - Ensured project delivery agreements, development approvals and relevant documentation in place in anticipation of a market upturn. - Ensured the timely delivery of project milestones by further developing a 'sense of urgency' within Landcom. - Assisted in the delivery, and achievement, of the asset realisation program. - Undertook a review of projects to identify cost and time savings to improve Return on Assets, without jeopardising project outcomes. - Contributed to programs and measures in order to build staff skills to match the Corporation's needs. - Developed and fostered good relationships with key stakeholders.
Kerry Robinson	General Manager Development	\$217,046	\$17,100	\$234,146	<ul style="list-style-type: none"> - Achieved key financial targets. - Ensured project delivery agreements, development approvals and relevant documentation in place in anticipation of a market upturn. - Ensured the timely delivery of project milestones by further developing a 'sense of urgency' within Landcom. - Assisted in the delivery, and achievement, of the asset realisation program. - Undertook a review of projects to identify cost and time savings to improve Return on Assets, without jeopardising project outcomes. - Contributed to programs and measures in order to build staff skills to match the Corporation's needs. - Developed and fostered good relationships with key stakeholders.
Greg South	General Manager Corporate and Finance	\$255,264	\$23,660	\$278,924	<ul style="list-style-type: none"> - Effectively contributed to the achievement of financial targets. - Ensured project delivery agreements, development approvals and relevant documentation in place in anticipation of a market upturn. - Assisted with the timely delivery of project milestones by further developing a 'sense of urgency' within Landcom. - Effectively contributed to the delivery, and achievement, of the asset realisation program. - Effectively contributed to a review of projects to identify cost and time savings to improve Return on Assets, without jeopardising project outcomes. - Put in place programs and measures in order to build staff skills to match the Corporation's needs. - Developed and fostered good relationships with key stakeholders.

TOTAL STAFF (EXCLUSIVE OF SES LEVEL 1 OR ABOVE) BY PAY LEVEL

Level	Total number of staff	Men	Women	Aboriginal People and Torres Strait Islanders	People from Racial, Ethnic, Ethno Religious Minority Group	People whose Language first spoken as a child was not English	People with a Disability	People with a Disability requiring adjustment at work
36,800 – 42,782	0	0	0	0	0	0	0	0
45,995 – 49,971	2	0	2 (1 x part-time) (1x temporary)	0	1	1	0	0
52,475 – 57,425	12	1	11 (1 x part-time) (1x temporary)	0	3	3	0	0
60,742 – 67,031	10	4	6 (2 x temporary)	0	5	5	0	0
72,629 – 80,148	23	7 (2 x temporary)	16 (1 x part-time) (1 x temporary)	0	8	8	1	0
85,040 – 92,038	27	18 (2 x temporary)	9	0	7	7	0	0
96,740 – 106,430	35	25	10 (3 x part-time) (1 x temporary)	0	10	10	0	0
115,498 – 126,305	8	5 (1 x temporary)	3 (1x temporary)	0	1	1	0	0
Total	117	60	57	0	35	35	1	0

Statutory Requirements

continued

DISCLOSURE OF APPROVED EXEMPTIONS

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

Statutory Requirements	Act/Regulation References	Comments
ANNUAL REPORTING EXEMPTIONS		
Budgets		
– Detailed budget for the year in review	s.7(1) (a) (iii) Annual Reports (Statutory Bodies) Act 1984	
– Outline budget for next year	s.7(1) (a) (iii) Annual Reports (Statutory Bodies) Act 1984 cl. 6 Annual Report (Statutory Bodies) Regulation 2005	
– Particulars of material adjustments to detailed budget for the year in review		
REPORT OF OPERATIONS		
Summary Review of Operations		
– Narrative summary of significant operations	Schedule 1 Annual Report (Statutory Bodies) Regulation 2005	Exemption subject to a condition that comments and information relating to the "summary review of operations" are to be disclosed in a summarised form.
– Selected financial and other quantitative information associated with the administration of programmes or operations		
Management and Activities		
– Nature and range of activities	Schedule 1 Annual Report (Statutory Bodies) Regulation 2005	Exemption subject to a condition that comments and information relating to "management and activities" are to be disclosed in a summarised form.
– 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 programmes		
Research and Development		
– Completed research including resources allocated	Schedule 1 Annual Report (Statutory Bodies) Regulation 2005	
– Continuing research including resources allocated		
– Development activities including resources allocated		

Statutory Requirements	Act/Regulation References	Comments
Human Resources <ul style="list-style-type: none"> - Number of employees by category and comparison to prior 3 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 2005	Exemption subject to a condition that overseas visits with the main purposes highlighted are required to be disclosed.
Consultants <ul style="list-style-type: none"> - For each engagement costing more 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 2005	Exemption subject to a condition that the total amount spent on consultants is to be disclosed along with a summary of the main purposes of the engagements.
Land Disposal <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 Freedom of Information Act 	Schedule 1 Annual Report (Statutory Bodies) Regulation 2005	
Consumer Responses <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 2005	Exemption subject to a condition. The condition is that comments and information relating to "consumer responses" are to be disclosed in a summarised form.
Payment of Accounts <ul style="list-style-type: none"> - Performance in paying accounts, including action to improve payment performance 	Schedule 1 Annual Report (Statutory Bodies) Regulation 2005	This exemption only applies to statutory State Owned Corporations as they are not subject to the payment of accounts provisions in s15 of the Public Finance and Audit Regulation.
Time for Payment of Accounts <ul style="list-style-type: none"> - Reasons for late payment - Interest paid due to late payments 	Schedule 1 Annual Report (Statutory Bodies) Regulation 2005	As above.

Statutory Requirements

continued

Statutory Requirements	Act/Regulation References	Comments
Report on Risk Management and Insurance Activities	Schedule 1 Annual Report (Statutory Bodies) Regulation 2005	Exemption subject to a condition. The condition is that the comments and information are to be disclosed in a summarised form.
Disclosure of Controlled Entities – Details of names, objectives, operations, activities of controlled entities and measures of performance	Schedule 1 Annual Report (Statutory Bodies) Regulation 2005	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, activities and measures of performance.
Investment Performance	cl. 12 Annual Report (Statutory Bodies) Regulation 2005	
Liability Management Performance	cl. 13 Annual Report (Statutory Bodies) Regulation 2005	

References: ARSBA – Annual Reports (Statutory Bodies) Act 1984,
ARSBR – Annual Reports (Statutory Bodies) Regulation 2005.

Independent Assurance Statement

NetBalance
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To the Board and Stakeholders of Landcom:

Landcom commissioned Net Balance Management Group Pty Ltd (Net Balance) to provide independent assurance of the non-financial Triple Bottom Line (TBL) component of this *Annual Report 2006/2007* (the 'report'). The report presents Landcom's sustainability performance over the period 1st July 2006 to 30th June 2007. Landcom was responsible for the preparation of the report and this statement represents the assurance provider's independent opinion. Net Balance's responsibility in performing our assurance activities is to the Board and executive of Landcom alone and in accordance with the terms of reference agreed with them. Any reliance any third-party may place on the report is entirely at their own risk.

Assurance Objectives

The objective of the assurance process is to provide stakeholders of Landcom with an independent opinion on the materiality, completeness and accuracy of the information presented in the report, and whether Landcom has responded to stakeholder concerns and adequately communicated those responses within the report. This is confirmed through a review of selected claims made, underlying systems, processes and competencies that support the TBL component of the report, as well as the embeddedness of policies and strategies on sustainability. Ensuring continuous improvement in data management systems and associated reporting processes is also a complementary objective.

Assurance Process

Our approach to assurance provision is aligned to the *AA1000 Assurance Standard*. The assurance engagement was undertaken in August and September 2007. The process involved:

- facilitating a workshop with internal stakeholders to ascertain their view on, and responses to, the material sustainability issues faced by Landcom, and the communication of these issues. A separate report on the outcomes of the workshop has been provided to Landcom;

- a review of Landcom's key sustainability strategies, policies, objectives, management systems, measurement and reporting procedures, background documentation and data collection and reporting procedures;
- a review of the TBL component of the report for any significant anomalies, particularly in relation to significant claims as well as trends in data;
- a series of interviews with key personnel responsible for collating and writing various parts of the report in order to substantiate the veracity of selected claims;
- the examination of the aggregation and/or derivation of, and underlying evidence for, over 75 selected data points and statements made in the TBL component of the report. The verified items were broadly selected to not only satisfy the principles of materiality, completeness and responsiveness, but also as supporting evidence for conclusions reached; and
- a review of selected external media sources relating to Landcom's sustainability performance, so as to further substantiate reported claims and, more importantly, to ensure that no significant omissions were made in the report.

The assurance process was carried out under Net Balance's quality control procedures.

Assurance Limitations

Our scope of work did not involve verification of the accuracy and robustness of financial data, other than that relating to environmental, social or broader economic performance. No regional sites were visited as part of this year's assurance engagement. Our observation of stakeholder engagement activities was limited to the internal engagement processes and outcomes outlined above.

Our Independence

Net Balance was not responsible for preparation of any part of this report. Net Balance has not undertaken any commissions for Landcom in the reporting period concerning reporting or data collection. Our team's independence was ensured by selecting an assurance team that had no other involvement with Landcom during the reporting period that could impair the team's independence or objectivity.

Our Capacity

The assurance team comprised of individuals with expertise in the finance sector as well as in environmental and social performance measurement and reporting. The assurance team has collectively undertaken over sixty assurance engagements in Australia over the past ten years and is also led by a Lead Sustainability Assurance Practitioner (Lead CSAP) accredited by the Independent Register of Certified Auditors (IRCA UK). The team is also a global leader in the use of the *AA1000 Assurance Standard* in assurance provision.

Our Opinion

Based on the scope of the assurance process, the following represents the assurance provider's opinion:

- The findings of the assurance engagement provide confidence in the information reported within the report. The level of data accuracy was found to be high, but additional improvements to data management and the reduction of manual aggregation and transcription processes are recommended to reduce potential for minor anomalies and mis-statements. Data trails selected were easily identifiable and traceable, and the personnel responsible were generally able to reliably demonstrate the origin(s) and interpretation of data.
- The statements made in the report appropriately reflect environmental, social and economic performance achieved during the period.
- All suggested changes were satisfactorily addressed by Landcom prior to finalising the report.

Overall, the assurance provider is satisfied that the report is an appropriate representation of Landcom's sustainability performance during the reporting period.

Conclusions and Recommendations

- **Materiality:** Issues material to stakeholders have been considered and communicated within the report. Materiality was determined by assessing compliance performance, issues material to stakeholders, policy-related performance and peer-based norms. It was found that material environmental, social and broader economic aspects of

Independent Assurance Statement

continued

Landcom's sustainability performance are appropriately addressed. The findings from the workshop held in June 2007 imply that the consideration of social issues such as moderate income housing, welcome program/community education, community facilities and the effectiveness of community consultation are considered highly important to the organisation in terms of general business practice. However, environmental issues take a higher priority in terms of monitoring and reporting. Therefore, the managing of direct and indirect environmental performance and continuing to successfully develop and market environmental and social products are evidently important issues for the organisation over the short to medium term.

- **Completeness:** The report was found to be complete in addressing key environmental, social and economic performance as well as all operations of Landcom, using the Global Reporting Initiative's (GRI) G3 as a guide. The populated GRI index represents reporting best practice. Completeness was also tested using peer-based norms, and ensuring that no operations of the organisation were omitted. It was found that the report is complete in addressing key material social and environmental issues, as well as all operations of Landcom.
- **Responsiveness:** Net Balance tested the responsiveness of the organisation through a review of management systems, documents and policies prepared by the organisation relating to the way it responds to stakeholder concerns and interests; by assessing the resources allocated to implement the aforementioned policies and commitments; by assessing the timeliness and accessibility of reported information; and by undertaking a review of key policies, targets and indicators and assessing the extent to which these are implemented by Landcom. In addition, Net Balance facilitated a workshop at Landcom's Parramatta offices in June, 2007. This process was designed to allow for the development of an updated and appropriate inventory to register key sustainability issues through an open forum and follow-up questionnaire to gain an appreciation of their perception of Landcom's sustainability performance and Landcom's reporting thereof.

The results of the staff engagement process highlighted that a significant number of staff are highly motivated around sustainability issues, which shows that Landcom's sustainability initiatives have engaged the whole organisation. These stakeholders generally viewed the organisation as responsive and felt it was performing well within its sector in economic, social and environmental performance. An area for improvement is to have further discussion as to how the outcomes of the stakeholder engagement process have been integrated into both the reporting process and the overall business strategy and operations of the agency, and also for additional external stakeholder engagement to be undertaken.

The Way Forward

Landcom sees sustainability as a core value proposition. Landcom has focused its effort in sustainability over the past six years on integrating sustainability principles within its business, at all levels. This has resulted in management commitment, an increased level of awareness of Landcom's own environmental and social footprint, and an aspiration to lead the sector and influence partners, customers and peers to become more sustainable. In Australia, Landcom is the only public land agency to have declared its use of the GRI Reporting Framework, and has produced its 2007 Annual Report as per the GRI (G3) Sustainability Reporting Guidelines (the 6th such report produced by Landcom). Landcom has produced a detailed and comprehensive report that provides detailed data and commentary on organisational performance indicators, targets and measurables for the organisation which represents best practice and a commendable framework for reporting. The significant positive change in community and political awareness on matters relating to sustainability in the Australian market, particularly around climate change will catalyse opportunities for early movers such as Landcom, well positioned to capitalise on such new market opportunities.

In terms of direct impact, the organisation's characterisation of its environmental footprint is advanced, and comprehensive. Improved environmental performance is reflective of organisational commitment and understanding around its social footprint is developing. Net Balance recommend that some systems and quality controls for environmental and social data are developed, which would further assist in efficiency and in reducing potential for human error or loss of intellectual property through natural staff turn-over, which are key risks in organisational performance measurement and reporting. In addition, Net Balance strongly recommend that the organisation remain informed on Australian greenhouse emissions reporting in order to ensure best practice reporting methodology through the use of the latest conversion factors.

The internal stakeholder workshop held with development staff was a valuable process, but it is recommended that the issues identified are subsequently clarified with a wider stakeholder representation including other Landcom staff and external stakeholders. This would assist the organisations to identify and address requirements important to its wider stakeholders with regards to the sustainability report. External stakeholders need to be selected based on the levels of influence and interest of the particular stakeholders.

The incorporation of these recommendations into land agency reporting will assist in the development of a pathway for incrementally developing, expanding, and deepening approaches to reporting over successive cycles. An industry commitment to the common goals of organisational change, transparency, accountability and enhanced sustainable development outcomes will be crucial in the success of the sector to meet the international benchmarks that have been set to date in sustainability outcomes in the development sector.

Continued work on reducing direct footprint along with additional work on quantifying and managing indirect footprint associated with Landcom's market, including customer and supply chains remain key challenges. Measuring and managing indirect impacts in the land development sector is still at its infancy in development, and therefore Landcom is well positioned to show leadership by starting to review these effects beyond its sphere of direct influence. In order for this to effectively progress, stakeholder engagement needs to continue.

Net Balance has provided additional suggestions for reporting improvement in some areas. These have been outlined in a more detailed report presented to the Landcom Board and executive team.

On behalf of the assurance team
13th September 2007
Melbourne, Australia



Terence Jeyaretnam
Director, Net Balance & Lead CSAP
(IRCA UK)

Glossary

ACCESSORY DWELLING UNIT

A small self contained, but not separately titled, dwelling that is located within, attached to, or detached from, a principle dwelling, similar to a granny flat.

AVERAGE RECURRENCE INTERVAL (ARI)

The long-term average number of years between the occurrence of a flood as big as (or larger than) the selected event. For example, floods with a discharge as great as (or greater than) the 20-year ARI flood will occur on average once every 20 years.

BASIX

The Building Sustainability Index is a web-based rating tool that calculates the water and energy efficiency of new homes. The NSW Government introduced BASIX so new homes are designed and built to use up to 40% less water and produce 40% fewer greenhouse gas emissions than today's average home. <http://www.basix.nsw.gov.au/>

CARBON DIOXIDE (CO₂)

A colourless, odourless, non-poisonous gas that is a normal part of our atmosphere. Carbon dioxide is a product of fossil fuel combustion. It is the most significant greenhouse gas because it is released in vast quantities, mainly as a result of burning fossil fuels such as coal, oil and gas.

CARBON DIOXIDE EQUIVALENT (CO₂-e)

Greenhouse gas emissions which include other gases such as methane are often measured in tonnes of carbon dioxide equivalent, which means the equivalent amount of CO₂ emissions which would have the same effect.

COGENERATION

Or combined heat and power, refers to the simultaneous production of electricity and heat using a single fuel such as natural gas. The heat produced from the electricity generating process, which would otherwise be wasted, is captured and utilised to produce steam, which in turn can be used as a heat source.

DWELLING EQUIVALENTS

All types of accommodation occupied or with future potential to be occupied by residents including homesites, detached and semidetached dwellings, townhouses, home units and apartments.

ENDANGERED ECOLOGICAL COMMUNITIES (EEC)

An assemblage of species occupying a particular area that are in danger of becoming extinct (refer to NSW Threatened Species Conservation Act for detailed description).

GREENHOUSE GAS EMISSIONS

Greenhouse gases absorb heat and warm the lower atmosphere, although they comprise only 1% of it by volume. In the absence of greenhouse gases the average global temperature would be about -18°C and the earth would be uninhabitable. However, the concentration of greenhouse gases has been rising, mainly as a result of burning fossil fuels. This is thought to be the cause of climate change. The more common greenhouse gases are carbon dioxide and methane.

MASTERPLAN

An interpretation of the planning controls and urban design principles for a site setting the framework for future development.

MEAN ANNUAL LOAD

The yearly average amount of material discharged. Often refers to discharge of water pollutants into a river or creek.

MODERATE INCOME HOUSING

Housing that is affordable to those households on incomes between \$50,000 and \$75,000 per year (2006 dollars).

NUTRIENT LOADS

An estimate of the amount of nutrients, such as Nitrogen and Phosphorus, conveyed from catchment sources, including stormwater, atmosphere and sewage, to a waterway. In this report the catchment sources refer specifically to stormwater discharges.

OHS&R

Occupational Health, Safety and Rehabilitation.

ON-SITE DETENTION

The detention of stormwater on a site or an estate. Usually through pits or basins.

PEAK DISCHARGES

The most intense stormwater flow during a rain event.

POTABLE WATER

Water that is drinkable.

RAMSAR

The convention on wetlands, signed in Ramsar, Iran, in 1971, is an intergovernmental treaty which provides the framework for national action and international cooperation for the conservation and wise use of wetlands and their resources. The Ramsar list of wetlands includes 1,611 wetland sites of international importance.

RIPARIAN CORRIDOR

Land directly adjacent to or surrounding a natural or artificial waterway, including rivers, intermittent or permanent creeks and streams, wetlands and lakes. The corridors provide a crucial link between land and water ecosystems.

STORMWATER

Surface water resulting from heavy rain.

THREATENED SPECIES

A species that is either endangered, vulnerable or presumed extinct.

TOTAL NITROGEN

Total nitrogen is the sum of nitrate, nitrite, ammonia and organic nitrogen. Nitrogen is found in fertilisers and contributes to algal blooms and excessive aquatic plant growth.

TOTAL PHOSPHORUS

The total concentration of phosphorus found in the water. Phosphorus is a plant nutrient found in many fertilisers, increasing the growth of plant life such as algae.

TOTAL SUSPENDED SOLIDS

Total suspended solids (TSS) is a measure of the mass of fine inorganic particles suspended in the water. TSS concentration has important ecological impacts including decreasing the light penetration into the water column, decreasing clogging gills of fish and smothering aquatic habitat.

VIRGIN EXCAVATED NATURAL MATERIAL (VENM)

A site's endemic ground material such as clay, gravel, sand, soil and rock that is not mixed with any other waste, and has been excavated from areas that are not contaminated with manufactured chemicals as a result of industrial, commercial, mining or agricultural activities.

WASTEWATER

Used water and sewage that goes down sinks, toilets and outside drains. It is categorised as either greywater or black water. <http://www.sydneywater.com.au/SavingWater/GreyWater/>

WATER SENSITIVE URBAN DESIGN (WSUD)

WSUD refers to the design principles that aim to reduce the impact of interactions between the urban built form (including urban landscapes) and the urban water cycle as defined by the three urban water streams of potable water, wastewater and stormwater.

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Corporate Directory

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

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

Landcom Sales Offices are generally open from 10:00 am to 5:00 pm, 7 days a week.

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

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