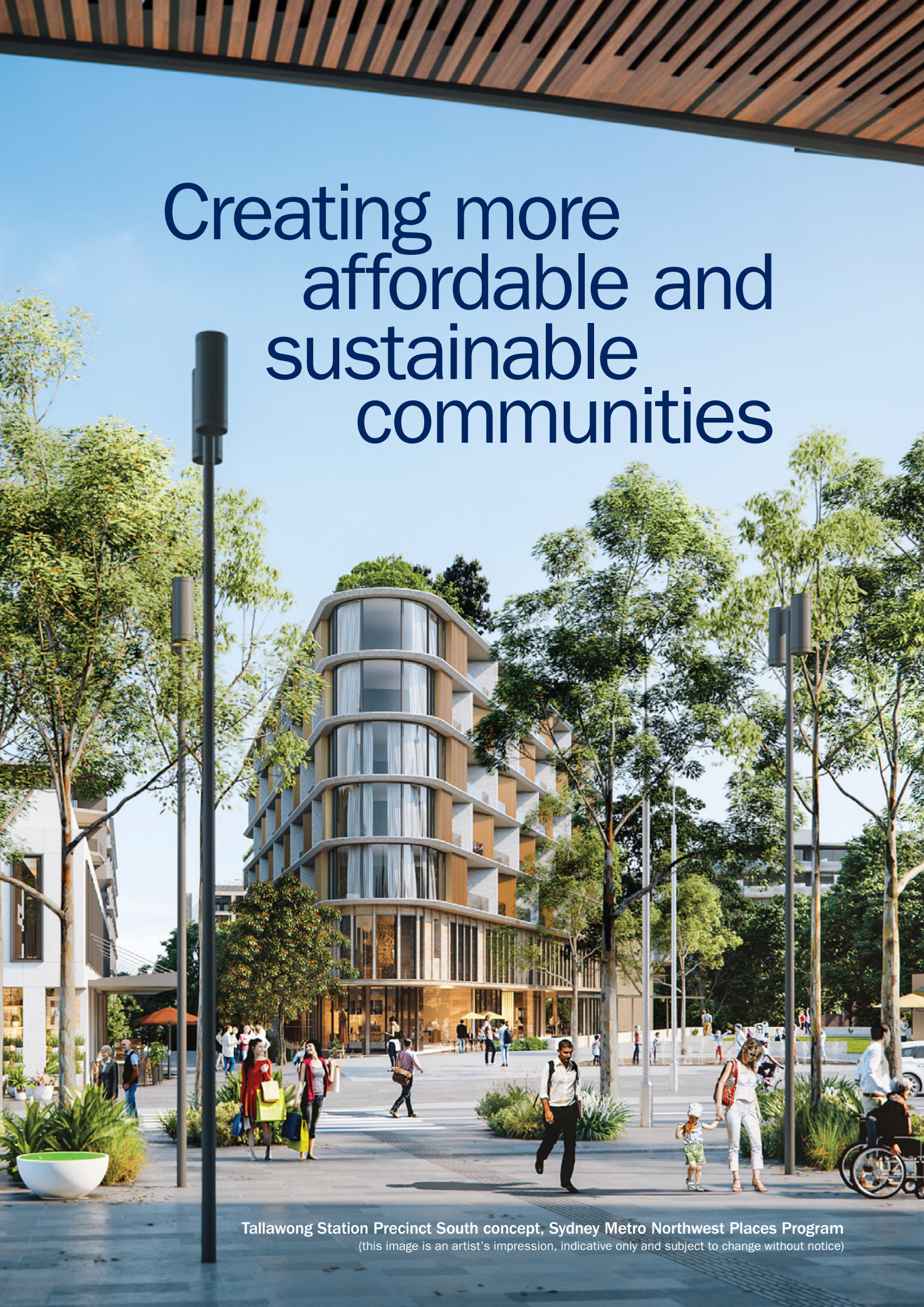




Annual Report 2018

Creating more affordable and sustainable communities



Tallawong Station Precinct South concept, Sydney Metro Northwest Places Program
(this image is an artist's impression, indicative only and subject to change without notice)

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Minister's letter

31 October 2018

The Hon Dominic Perrottet MP

Treasurer and Minister for Industrial Relations
52 Martin Place
Sydney NSW 2000

The Hon Victor Dominello MP

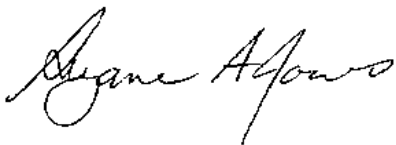
Minister for Finance, Services and Property
52 Martin Place
Sydney NSW 2000

Dear Treasurer and Minister

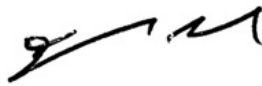
We are pleased to submit to you the Annual Report for Landcom for the year ended 30 June 2018 for presentation to the Parliament of New South Wales.

The report details the performance, operations and financial results of Landcom and has been prepared in accordance with section 24A of the *State Owned Corporations Act 1989*, the *Annual Reports (Statutory Bodies) Act 1984* and the applicable provisions of the *Public Finance and Audit Act 1983*.

Yours sincerely,



Suzanne Jones
Chair



John Barbeler
Director

Chair's Review



This has been a significant year for Landcom, with a new and clear direction from Government for us to take a lead role in improving the affordability, supply and diversity of new housing in Sydney and NSW. This renewed focus involved major restructuring for the Corporation and I congratulate the team at all levels for their steady focus on the work of the Corporation throughout the period.

Amongst the transition we have achieved outstanding results and I sincerely thank all of our staff and my fellow directors for this success.

This year we achieved a sales revenue of \$775 million, with net profit after tax of \$185 million. We declared a \$200 million dividend and returned \$79.2 million to the NSW Government in income tax equivalents. We supplied 2,710 home sites to the market, which means we are on track to achieve our four-year target of 20,000 new home sites by March 2019, with 16,903 delivered to date.

With the wider Landcom team continuing to work hard to deliver our projects throughout the year, the Board has focussed on resetting the Corporation's direction to meet the Government's priorities and requirements for the new Landcom. Our portfolio Minister the Hon Anthony Roberts MP confirmed the decision of NSW Cabinet for Landcom to take an active role in housing affordability. To achieve this, a set of Strategic Directions were agreed in September 2017 with three priorities — housing, partnerships and leadership.

Housing: increase the affordability, supply and diversity of housing

During the year we progressed or finalised a number of land development projects that supplied new home sites to the market including 338 home sites for first home buyers, 124 affordable housing apartments at Hart's Landing in Thornton and approximately 300 home sites to support the renewal of Claymore and Bonnyrigg with a mix of new social and private housing. We also launched our Housing Affordability and Diversity Policy with new commitments on affordable rental housing, quality design and housing mix in the right locations, universal design, demonstration and innovation. In July 2017 Landcom and Sydney Metro executed a program development agreement for the development of government land around the Sydney Metro Northwest stations, with the potential to deliver 11,000 new dwellings including 5–10 percent affordable housing dwellings.

Partnerships: partner with others to unlock development opportunities and improve delivery

We partner with the private sector, across government and engage communities and other stakeholders through the life of our projects. This year we continued to work with experienced developers who share our vision for creating more affordable and sustainable communities. I'm pleased to report that our stakeholders have told us that the way we work with them is improving. We are also working to unlock potential in surplus or underutilised government landholdings, deliver enabling infrastructure and bring multiple landowners together to unlock fragmented land. For example, in Sydney's northwest we began servicing and subdivision works on behalf of 51 landowner groups in the Riverstone Scheduled Lands to unlock 317 lots for future development.

Leadership: demonstrate excellence in sustainable development and planning practice

Landcom has a proud history of sustainability and design excellence. This continues to be a priority of the new business. In November 2017 we adopted our new industry-leading Sustainable Places Strategy. It identifies four major goals to guide the way we approach development across our project portfolio. Our aim is to enable all our projects to meet global standards of liveability, resilience, inclusion, affordability and environmental quality. We are also leading the way in collaborative research under the Landcom University Framework Agreement and continuing to strengthen partnerships with schools and TAFE.

These directions — housing, partnerships and leadership — are shaping our new business and will continue to guide our corporate planning and projects in the coming years.

In parallel with setting the new direction, the Board and management have focussed on strengthening our workplace health and safety culture and practices. Landcom is strongly committed to this and I thank our staff and contractors for their diligence and for prudent risk management.

In May 2018 the Board was pleased to appoint John Brogden as permanent Chief Executive Officer, having held the role in an interim capacity since November 2017 through the Corporation's transition.

I welcome new directors Peter Roberts and John Barbeler. John and Peter bring extensive finance, audit and risk management experience to our Board. Thank you to directors Karen Penrose, Matthew Quinn, Gai McGrath and Professor Ken Maher AO who left the Board this year. All of the directors made a substantial contribution to Landcom (and its predecessor) and undertook their roles with exceptional diligence. I am very pleased that Professor Maher will remain with Landcom as Chair of our new Design Advisory Panel.

This is my first report as Chair and I sincerely thank my fellow directors and Mr Brogden for their collegiality throughout the year. I also acknowledge and thank the wider executive team and our talented staff for the positive approach to building our culture, their commitment and outstanding results.



Suzanne Jones, Chair



Brunker Park, Newleaf at Bonnyrigg

Chief Executive Officer's Review



I am very pleased to present my first Annual Report as Chief Executive Officer after the privilege of five-and-a-half years as Chairman. It is an honour to lead the Corporation at this very important time as we rebuild our portfolio and reposition the Corporation to support the Government's housing agenda. Landcom is particularly excited about the opportunity to play a role in more affordable housing in Sydney and across NSW.

The sharpening of our focus on housing affordability, diversity and supply has seen a change in our structure to position us to deliver. Since the restructure, my emphasis has been on getting our staff involved in translating our new Strategic Directions into action. We have set the priorities together focussing on the following key areas.

1. Delivering current projects and starting to rebuild our project pipeline

Our current projects continue to deliver housing supply to the Sydney market. As the Chair acknowledged, to date we have delivered 16,903 home sites in our 20,000 home sites program and we are on track to reach our target by March 2019. We are also committed to releasing more than 500 new first home buyer housing lots over the two years to September 2019. We are on target to achieve this, with 338 home sites for first home buyers released by the end of FY18.

Of particular note, this year we released land for 1,550 homes next to the Tallawong and Hills Showground metro stations in the Sydney Metro Northwest Places program. This included provision for at least 77 Affordable Housing apartments. The whole program has the potential to deliver about 550–1,100 Affordable Housing dwellings over approximately 5–15 years.

In addition to current projects we are actively working to build our project pipeline, assessing a number of opportunities to determine where we can add most value and achieve the widest benefits, including our Affordable Housing demonstration projects. We have also been working across government to help identify and remove potential blockages to achieving the best housing outcomes for Sydney and the regions.

2. Translating housing affordability and diversity commitments into action

This year we launched our Housing Affordability and Diversity Policy, with a target of 5–10 percent of new homes in all our projects to be Affordable Rental Housing managed by Community Housing Providers. We are building stronger relationships with Community Housing Providers to enable us to reach this target. This year we established a Prequalification Scheme for Community Housing Providers to connect them with developers and others in their area. As well as ensuring 5–10 percent in our future projects, we are also reviewing all our current projects to see where there are opportunities to provide or increase the supply of Affordable Rental Housing, and to increase the mix of diverse housing appropriate to each location.



▲
Newleaf, Bonnyrigg

3. Putting in place the platforms to deliver leadership in sustainability and stakeholder engagement

In FY19 we will publish the first report on our performance against our new Sustainable Places Strategy, which is aligned with national and international commitments and obligations. It includes four major goals related to climate resilience, health and inclusion, productivity and accountability.

We have also implemented our Stakeholder Engagement Framework to drive engagement excellence and continued improvement across our organisation, and you can read more about this in this report.

4. Investing in our people and systems

Following the restructure, we are now building our project and corporate teams to deliver on our Strategic Directions. We have a new People, Leadership and Culture Plan in place to support and create opportunities for our people. And we are also improving our systems to support our new business and enable us to be more agile.

The executive team has been joined this year by Executive General Managers Finance & Commercial Robert Dodd, Projects Scott Gregg, and Partnerships & Business Development Michael Clark, together with General Counsel Sandra Lee and Company Secretary Shauna Woodward.

I join the Chair in acknowledging and thanking our wonderful staff. We have a highly skilled and experienced team, and I look forward to working with them and our many important stakeholders in the very exciting times ahead.

John Brogden, Chief Executive Officer

Board of Directors



Suzanne Jones

Chair Independent Non-executive Director

- **Appointed to the Board in June 2016**
- **Appointed as Chair in October 2017**

Committee appointments:

- **Member of the Audit and Risk Management Committee**
- **Member of the People, Culture and Nominations Committee**

Suzanne has held senior executive and non-executive roles involving transport and energy, infrastructure planning and delivery, environmental assessment and sustainability, resource and asset management, property development, tourism and vocational education and training. All roles have involved

considerable stakeholder engagement, often in highly regulated environments.

Suzanne is currently the National Chair of Dial Before You Dig, Deputy Chair of ACT's Suburban Land Agency and a director of Smoke Alarms Holdings Ltd. She is also a member of the Commonwealth Government's Emissions Reduction Assurance Committee.

Suzanne was previously on the NSW National Parks and Wildlife Council, serving as its Chair for four years, and was a Director of TransGrid, Australia's largest transmission network, for the four years prior to its successful privatisation in December 2015. Suzanne also served as a Director of the NSW Public Transport Authority, Parramatta Rail Link Pty Ltd, the Illawarra Regional Information Service, Newcastle Urban Renewal and Transport, Garrigal Housing and was a member of the Australian Astronomical Observatory's governance committee.

Suzanne holds a Bachelor of Town Planning (Honours) from the University of NSW, a Masters of Business Administration from the University of Rochester, is a Fellow of the Australian Institute of Company Directors and a Member of the Planning Institute of Australia. Suzanne has undertaken a business leadership course at Harvard, a chair's leadership course at Insead and was awarded an international fellowship by the United States government.



John Barbeler

Independent Non-executive Director

- **Appointed to the Board in March 2018**

Committee appointments:

- **Chair of the Audit and Risk Management Committee**
- **Member of the People, Culture and Nominations Committee**

John has held Chief Financial Officer and business leadership positions in both the public and private sector and for the Sydney Organising Committee for the Olympic Games (SOCOG).

From 2010 to 2015, John was the CFO at the Federal Department of Health. Prior to that he was CFO/Director of Corporate Services at the City of Sydney, General Manager, Finance at SOCOG and has held CFO and business enabling executive roles with major global private sector organisations including PepsiCo, BTR and CSR.

John is a member of the Audit, Risk and Improvement Committee for Penrith City, Cumberland and Snowy Monaro Regional Councils. He was a former Director for Alzheimer's Australia ACT Ltd and a former member of NSW Electoral Commission Audit Committee.

John is a FCPA and holds a Bachelor of Commerce (Honours) from the University of Queensland.



Jim Betts

Non-executive Director

- **Appointed to the Board in May 2017**

Jim is Infrastructure NSW's Chief Executive Officer, having joined in 2013 following five years as the Secretary of the Victorian Department of Transport and four years as Victoria's Director of Public Transport at the Victorian Department of Infrastructure.

As part of his role at Infrastructure NSW, Jim led the development of the *2014 State Infrastructure Strategy Update* and the recent *2018 State Infrastructure*

Strategy, providing a total of over 200 project and policy recommendations to Government. Jim chairs the Infrastructure Investor Assurance Committee, reporting to Cabinet which monitors and advises on almost 500 infrastructure projects across Government.

Since the establishment of Projects NSW in 2015, Jim has also been responsible for the delivery of a number of the state's infrastructure priorities, including the \$3.4 billion Darling Harbour transformation along with new major projects including Western Sydney Stadium, Sydney Football Stadium, the Walsh Bay Arts Precinct redevelopment and the Clarence Correctional Centre.

In June 2018, through his role as Chair of the NSW Government's Construction Leadership Group, Jim coordinated the development of the *NSW Government Action Plan: A ten point commitment to the construction sector*. The Action Plan recognises that the NSW Government can only achieve its infrastructure objectives if it works collaboratively with the private sector.



Peter Roberts

Independent Non-executive Director

- **Appointed to the Board in April 2018**

Committee appointments:

- **Chair of the People, Culture and Nominations Committee**
- **Member of the Audit and Risk Management Committee**

Peter has more than 30 years' experience in finance, accounting, tax, real estate and funds management in the public and private sectors.

He is currently Managing Director of PcRoberts Consulting Services, an Independent Director for ProTen Limited and Chair of its Audit Committee and a Director of KU Children's Services.

His previous roles include Interim Chief Financial Officer at UrbanGrowth NSW; Chief Financial and Operations Officer of Barangaroo Delivery Authority; Chief Financial Officer at Charter Hall Group; Dexus Property Group; Colonial First State Property; and Fund Manager with Stockland Unlisted Property Funds and Lend Lease Real Estate Investments.

Peter holds a Bachelor of Finance and Administration from the University of New England (UNE); is a Fellow of the Institute of Chartered Accountants (CAANZ); a member of the Australian Institute of Company Directors (AICD); and has a Graduate Diploma in Applied Finance Investment (Securities Institute of Australia).

Executive Committee



John Brogden
Chief Executive Officer

John was appointed to the Board of Landcom in January 2012 as Chairman, before accepting the permanent role of Chief Executive Officer (CEO) in May 2018. Prior to this John was the Managing Director and CEO of the Australian Institute of Company Directors, the CEO of the Financial Services Council and the CEO of Manchester Unity.

He is also the Chairman of Lifeline Australia and Furlough House Retirement Village and patron of Sailability Pittwater, Bilgola Surf Lifesaving Club, Avalon Beach Surf Lifesaving Club and Kookaburra Kids.

John's previous non-executive directorships include Abacus Australian Mutuals (Chairman), BBI — The Australian Institute of Theological Education (Chairman), NIA Pty Limited (health.com.au), Sydney Ports Corporation, Australian Private Health Insurance Association and the Australian Friendly Societies Association.

From 1996 to 2005, John was the Member for Pittwater in the NSW Parliament. In 2002, John was elected Leader of the Opposition — the youngest person ever to hold the role and lead a major political party in Australia.

In January 2014, John was made a Member of the Order of Australia (AM) for significant service to the community through representational roles with social welfare organisations, particularly Lifeline, to the business and financial sectors and to the Parliament of New South Wales.

John holds a Masters of Public Affairs from the University of Sydney and is a Fellow of the Australian Institute of Company Directors.



Matthew Beggs
Executive General Manager Projects

Matthew oversees a portfolio of the organisation's development projects. Matthew has more than 30 years' experience in the property and development industry, with experience in the planning and delivery of large development projects, major property transactions, business development and relationship management.

Matthew joined Landcom in 2002 as part of the Business Development Team, before moving into Urban Development in 2005, where he worked on the One Minto and Oran Park Town projects. He was appointed General Manager Development Retail in 2014 (when Landcom was trading as UrbanGrowth NSW), Head of Western Sydney Projects portfolio in 2015 and Head of Projects in 2017.

Prior to working at Landcom, Matthew was with the Department of Defence for six years, managing the rezoning, preparation and disposal of major Defence sites in Sydney. He also spent seven years with Australian Property Group, consulting to Australian Government clients for planning approvals, sales, leasing and acquisitions.

Matthew has a Graduate Diploma in Urban Estate Management and a Masters of Project Management.



Michael Clark

Executive General Manager Partnerships & Business Development

Michael was appointed Executive General Manager, Partnerships & Business Development in May 2018. Michael's responsibilities include developing and running the new business development function, and developing and operating the strategy that will lead to long-term strategic partnerships with key stakeholders and a significant future pipeline of mixed-use housing developments.

With more than 20 years' experience in property in both the private and public sectors and with considerable international experience in New Zealand and the UK, Michael brings significant knowledge and

expertise to developing and leading the new business development and partnership division.

Before joining Landcom, Michael helped develop the NSW Government's first Whole of Government Property Information System and the first Whole of Government Office Accommodation Strategy for Property NSW. Prior to this, Michael was the Director of Property at The Royal Borough of Kensington and Chelsea in London, where he was responsible for leading 250 staff across all property and customer service functions, as well as jointly leading a 20 year housing regeneration program focused on delivering affordable housing. Michael was instrumental in developing a number of new best practice functions and operating models in construction and property development in the UK. Prior to this, Michael was also the Director of Property and Community Infrastructure at Westminster City Council, London, responsible for developing and running the council's long-term property investment and development strategy and associated functions.

Michael has a Commerce Degree in Property from Lincoln University in New Zealand and a Masters of Business Administration (MBA) from Southern Cross University in NSW.



Robert Dodd

Executive General Manager Finance & Commercial

Robert was appointed Executive General Manager — Finance & Commercial in May 2018, with this role incorporating the previous Chief Financial Officer

position. His areas of responsibility include finance, legal and IT, as well as commercial operations. Robert has 40 years' experience, primarily within the development and construction sectors of the property industry in Australia. He has extensive experience in the residential, commercial and retail sectors, as well as in acquisitions and disposals.

Prior to working at Landcom, Robert was the Chief Financial Officer for Leighton Properties (Aus), Lend Lease Construction Division (ANZ), Meriton (Aus) and Built (Aus). He has also worked in senior management positions with Toll Logistics, operating in the Asia Pacific region.



Scott Gregg

Executive General Manager Projects

Scott was appointed Executive General Manager in 2015 to lead the Northwest Program. A key focus of this role included the negotiation and establishment of Landcom's role as master developer of government lands adjoining eight new station precincts as part of Sydney Metro Northwest Places.

Scott has more than 35 years' experience in the property industry in both private and public sectors, and has a track record of initiating and delivering large and complex mixed use developments.

Scott holds a degree in Architecture from UTS, postgraduate studies in Urban Estate Management, and is a Green Star Accredited Professional in both Communities and Design and As-Built and is a Foundation Fellow of the Institute of Company Directors.

Scott was on the executive of Parramatta City Council for five years and has held Director level positions at Place Leaders Asia Pacific, the Land and Housing Corporation, the University of Western Sydney and the Toga Group.

Scott has been responsible for substantial project portfolios and has led many high profile projects including Parramatta Square, Darwin City Waterfront and the Jones Bay Wharf Redevelopment.



Mirjana Juka

Interim Executive General Manager, People & Culture

Mirjana was appointed Interim Head of Human Resources in September 2017. In this role she oversees the People & Culture division (formally Human Resources) division, which includes organisational development, industrial relations, operations, payroll and internal communications.

Mirjana has more than 15 years' experience as a human resources professional, having worked in both the private and public sector and in diverse industries such as financial services, information technology, health and travel. Mirjana has a passion for leadership development and culture and partnering with business leaders to facilitate healthy and high functioning organisations.

Prior to joining Landcom, Mirjana worked at Westpac leading a culture alignment program, and prior to that worked at NSW Treasury as the functional HR head during a time of significant business and culture change.

Mirjana has a Master of Science in Coaching Psychology from the University of Sydney and a Master of Business in Human Resource Management from the University of Technology.



Sandra Lee

General Counsel

Sandra was appointed as General Counsel of Landcom in April 2018 and is the organisation's chief legal adviser.

Sandra joined Landcom in August 2016 as Senior Manager — Legal, where she was responsible for overseeing the legal function for Landcom's Western Sydney Projects Portfolio.

Sandra has 18 years' legal experience across multiple real estate sectors, specialising in complex, structured transactions, including joint ventures, acquisitions, disposals and complex leasing. Sandra has worked in private legal practice, most recently for seven years as Special Counsel at Henry Davis York. Sandra also worked as Senior Legal Counsel for Goodman for three years.

Sandra holds a Bachelor of Laws and Bachelor of Commerce (Accounting) from the University of NSW.



Anna Petersen

Acting Executive General Manager Corporate Affairs

Anna was appointed Acting Executive General Manager, Corporate Affairs in May 2018. In this role she oversees the project communications and engagement, corporate communications and marketing, sustainability, policy, research and learning, government and industry relations, and media relations functions of the organisation.

Anna has 25 years' professional experience in the urban planning and development industry. She joined Landcom in 2002 as a Senior Development Manager and later joined the sustainability team where she led our social sustainability practice, looking at the links between urban planning and design, and community wellbeing. Anna later held senior roles with Landcom in policy, strategy and communications, and most recently led development of Landcom's stakeholder engagement framework.

Prior to Landcom, Anna held planning, project management and facilities management roles in the public and private sectors.

Anna has a Masters of Professional Communication, a Masters of Urban and Regional Planning, a Bachelor of Science (Architecture), and a Certificate in Public Participation.



Shauna Woodward

Company Secretary

Shauna was appointed Company Secretary in March 2018, having acted in the role since September 2017 following the separation of Landcom from what was previously UrbanGrowth NSW, and is primarily

responsible for governance working closely with the Board and the broader Executive team. Shauna joined UrbanGrowth NSW as Deputy Company Secretary in February 2017.

Shauna has extensive experience in corporate governance supporting Boards, Board Committees and Management Committees and has previously held roles at Vicinity Centres, an ASX top 30 company, and at APRA regulated Credit Union Australia. She has experience in the areas of property development, managed investment schemes, banking, financial planning, general insurance and health insurance.

Shauna holds a Bachelor of Business (Finance), is a Chartered Secretary, and is a graduate of the Australian Institute of Company Directors.

Michael Brodie

Chief Financial Officer

*Left position in March 2018

Lisa Rippon-Lee

Executive General Manager, Corporate Affairs

*Left position in May 2018

Our organisation

Landcom is a State Owned Corporation operating under the *Landcom Corporation Act 2001*.

We are the NSW Government's land and property development organisation, working across government and with the private sector to produce quality communities that deliver social, environmental and economic benefits to the people of New South Wales.

Our role is to develop, enable and demonstrate new homes and neighbourhoods across NSW, through partnerships and leadership.

Through a Ministerial Statement of Priorities, the NSW Government has established three key priorities for Landcom as it undertakes its tasks:

1. Increasing the affordability, supply and diversity of housing;
2. Building successful partnerships in delivery; and
3. Demonstrating leadership in sustainable development excellence.

Oran Park



Project map

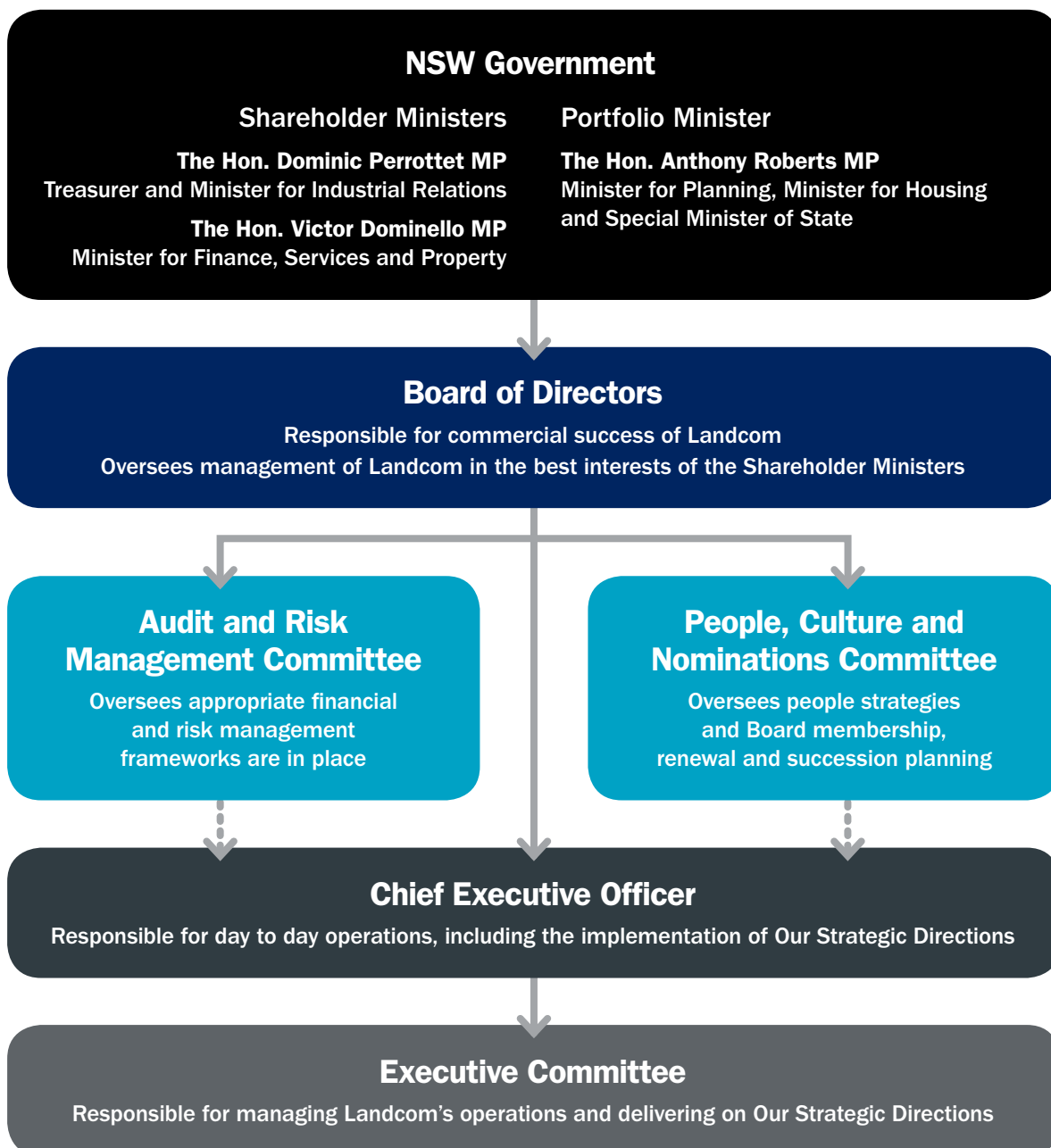


Landcom projects

1. Green Square Town Centre
2. Sydney Metro Northwest Places
3. Lachlan's Line
4. The Peninsula
5. Riverstone Scheduled Lands
6. East Village
7. Edmondson Park
8. Hillcroft
9. Macarthur Heights
10. Newleaf
11. Newbrook
12. Renwick
13. Oran Park Town



Our governance structure



FY18 economic and financial highlights



\$79.2 million

returned to NSW Government
(tax equivalent expense)



\$200 million dividend

declared for FY18



\$185 million

net profit after tax



\$775 million

sales revenue



2,710 dwellings

released under 20,000
Home Sites Program

Highlights of this year's achievements

Highlights of this year's achievements

FY18 has seen Landcom navigate considerable change in the form of a corporate restructure as well as embrace its new role in supporting the Government's housing affordability agenda: to develop, enable and demonstrate new homes and community facilities across NSW, through partnership and leadership.

Delivering quality housing and communities with an emphasis on supply, affordability and diversity

This year our land development projects supplied 2,710 new home sites to the market. This brings our total to 16,903 and means we are on track to deliver our target of 20,000 new home sites in four years by March 2019.

Our focus is on delivering a mix of homes sites to suit the requirements of households with different needs, from dwelling lots, townhouses and terrace sites, to apartments and apartment sites.

For example, we delivered 338 home sites for first-home buyers, meaning we are on track to meet our target of 500 new homes for first home buyers in the two years to September 2019.

We completed 13 group homes for people living with disabilities across Belrose, Llandilo, Cromer and other places on the north shore. The homes include living features that make them easier and safer to use and meet Australian guidelines for platinum level Liveable Housing. They are the final homes to be delivered through our successful partnership with the NSW Department of Ageing, Disability and Home Care, which has seen us build 138 homes over four years to provide high quality living options for people with mixed abilities.

Land development projects
supplied 2,710 new home sites
(total of 16,903) and we are
on track to deliver our target of
20,000 new sites by March 2019



▲ Lachlan's Line

Our Harts Landing project in Thornton included 124 Affordable Housing apartments and 10 Aboriginal Housing homes out of a total 268 apartments to meet diverse community needs. The provision of Affordable Housing in Thornton is being managed by Evolve Housing, a community housing provider offering rental housing for low to middle income households. Our private sector partners restored the historic Thornton Hall, which is now used as a new childcare centre, and had more than 800 homes under construction, including terraces, serviced apartments and a large aged care village. These projects provide a range of housing choices for people, including living next to the train station and close to shops and services within Penrith's city centre.

Working with the NSW Land and Housing Corporation, we successfully delivered around 300 home sites in Claymore and Bonnyrigg, to support the renewal of these areas with a mix of new social and private housing. We are continuing to work closely with the Land and Housing Corporation to plan and deliver new housing in these areas.

In Sydney's North West, we began servicing and subdivision works to unlock developable land on behalf of 51 owners in the Riverstone Scheduled Lands. Our work will deliver 317 subdivided lots that have not previously been developed as they have been fragmented and without critical infrastructure such as roads, drainage, water, sewerage and electricity services. As the Relevant Authority appointed by the Minister for Planning to deliver

works in Riverstone, we are applying new regulations to unlock land in 'paper subdivisions' for the first time. Successful delivery will pave the way for around 12,000 blocks of land across Sydney and NSW currently affected by paper subdivisions.

In the Southern Highlands we settled 216 home sites on our Renwick project and began construction works for the final stage of land to be released. We developed plans for green space along the creek and a new community centre and village square with local shops for the growing neighbourhood.

Together with our partner Sydney Metro, we released land for 1,550 homes adjacent to the new Tallawong (formerly known as Cudgegong) and Hills Showground metro stations as part of our Sydney Metro Northwest Places program. This included the provision of at least 77 Affordable Housing apartments. We called for expressions of interest from the private sector and will shortlist suitably qualified developers before deciding with whom to partner for these projects. Delivery of these projects will be a catalyst for high quality development around the new stations. Our approach is to partner with experienced developers who share our vision for optimising the benefits of the new world-class metro by creating more affordable and sustainable places for current and future communities to live, work, shop and relax.

Partnering with others to deliver new places for communities

We have continued to work in partnership with state agencies and with the private sector to coordinate housing and infrastructure delivery in communities across Sydney and in key locations across NSW.

For example, to recognise the Government's significant investment in Sydney Metro as a city-shaping project we signed a development agreement with Transport for NSW in July 2017. The agreement appoints Landcom as the development manager and master developer to renew developable government land around seven of the new stations when construction of the metro is complete. We are working closely with Sydney Metro to facilitate the delivery of diverse, well-designed places around Tallawong, Kellyville, Bella Vista, Norwest, Castle Hill Showground and Cherrybrook stations to maximise benefits for current and future communities. Over the next decade we plan to deliver about 11,000 new homes, including over 550 well-located Affordable Housing dwellings to accommodate diversity in the community. We will also deliver new parks, community facilities and jobs, through the provision of up to 350,000m² of floorspace for commercial and retail use through the Sydney Metro Northwest Places Program.

We are continuing to work with the NSW Land and Housing Corporation to deliver new stages of development in Bonnyrigg, Airds and Claymore to renew social housing areas. Working together, we are building new mixed communities where social housing blends in with private and affordable housing and where residents have better access to transport, jobs, improved community facilities and green spaces. For example, we are working on a design for a new multi-use community centre at Bonnyrigg that will provide a hub for community activities. Similarly, we are exploring opportunities to work collaboratively with the NSW Land and Housing Corporation and the owners of the Airds Shopping Centre to reimagine the town centre, with an attractive mix of shops, services and facilities for the growing community.

Our successful partnership with Mirvac continues with the completion of the OVO building in the Green Square Town Centre. This landmark building is the gateway to the heart of the town centre in one of Australia's largest urban renewal areas. It was completed in May 2018 and will be the tallest building in the town centre. It provides 224 apartments for new residents and represents 10 percent of the 1,668 homes we are working with Mirvac to deliver in the town centre. Along with the Ebsworth building which was settled last year, we have now built homes for nearly 1,000 people and Green Square is emerging as a vibrant inner city community.



▲ Tallawong Station Precinct South concept, Sydney Metro Northwest Places Program
(this image is an artist's impression, indicative only and subject to change without notice)

At Oran Park we released our final 23 lots to the market in late 2017. We have continued to work with our private sector partner Greenfields Development Company who are delivering lots to market in one of Australia's fastest growing urban areas. Our efforts in Oran Park are now focussed on planning and constructing new facilities to meet growing community needs.

Working collaboratively with Western Sydney University in Macarthur Heights we released 100 lots to market, with plans to connect the area to the Macarthur Regional Recreational Trail which will enable residents to cycle to Camden Town Centre and Mount Annan Botanic Gardens. Plans for regenerating creek corridors and building sporting and recreational facilities are progressing and works will commence once approvals are secured.

To support our work with other organisations and progress development that delivers community benefits for Sydney and NSW, we entered into partnership agreements with several important stakeholders. For instance, in June 2018 we formalised agreements with the Deerubbin Local Aboriginal Land Council (LALC).

We will work together with Aboriginal communities to explore opportunities to develop their land with and for them. The Deerubbin LALC is one of the largest land owners in Western Sydney. We are investigating opportunities to develop projects that provide new housing and other benefits to local Aboriginal communities.

We also entered into an agreement with Schools Infrastructure NSW to work together to jointly develop new or existing school sites. We are exploring opportunities to deliver mixed use projects with new or upgraded schools, new housing and shared community facilities, such as sporting fields. Working groups have been established with both Deerubbin LALC and Schools Infrastructure NSW to shape exciting new projects.

Delivering infrastructure and facilities for local communities

At Oran Park we officially opened a new \$14 million library in June 2018 to provide a hub for community learning and connection. The Minister for Planning and the Camden City Mayor attended the opening and helped to celebrate with hundreds of local residents, who were excited to be among the first to explore the new facility. The library was delivered through a three-way collaboration with Greenfields Development Company, Landcom and Camden Council and has now been handed over to Council. Works to deliver a new youth hub and skate park in Julia Reserve at Oran Park are progressing.

In Spring Farm we finished the \$15 million extension to Liz Kernohan Drive in May 2018, diverting more than 100,000 trucks a year away from residential streets and providing access for heavy vehicles travelling to Spring Farm Resource Recovery Park and other industrial sites. Dedication of the road will enable settlement of the next stage of land to AV Jennings.

**Under the Sydney Metro
Northwest Places program
we plan to deliver about 11,000
new homes over the next decade,
including over 550 well-located
Affordable Housing dwellings**



Public Library,
Oran Park

In August 2017, together with the NSW Land and Housing Corporation we delivered a new \$2 million park in the heart of the Newleaf community. Bunker Park opened in August 2017 and provides a basketball court, playground, informal hand ball and kick about spaces and green areas for local families and friends to relax in and enjoy. About 800 people joined us to celebrate the opening of the 2.5 hectare park, which is helping to create a sense of place and promoting community interaction in Newleaf.

Works on Clermont Park in Edmondson Park commenced in February 2018 and should be completed in late 2018. The one hectare park will provide green space, barbeques, a new playground and public art for the local community. Construction works to embellish the historic Mont St Quentin Oval and provide additional recreation facilities, including an upgraded oval and a new amenities building and playground for the Edmondson Park community, are due to commence in late 2018.

After some delays, detail designs for a large new 3.9 hectare waterfront park in Wentworth Point are now well advanced. The park will include a boardwalk and viewing platform over the Parramatta River, exercise stations and other community facilities. The design links with plans for the new marina that Roads and Maritime Services is delivering. We are also excited to be working with the Wentworth Point Public School to involve students in delivery of the park. Students will complete designs for the hoarding that we will install around the site during construction and work with our artist to help us design permanent public art for the park.

Infrastructure works to support new development in Lachlan's Line continue. We have kept local residents and businesses informed of works to widen an approximate 950 metre section of Delhi Road, which is on track for completion in September 2018. These works include relocating power and telecommunication lines underground, building new footpaths, and bush regeneration works in Lane Cove National Park.



Detailed designs for a new \$40 million pedestrian and cycle bridge that connects Lachlan's Line to North Ryde Station were prepared by our newly appointed contractors Arenco and Daracon. We amended plans in response to feedback from community groups and the City of Ryde to limit the impact on trees. Early works to locate services started in June 2018 and we are working closely with Roads and Maritime Services and Transurban to coordinate planned road closures so we can lift sections of the bridge into place with minimal disruption to the road network. The bridge's unique helix design reflects community feedback and will create a distinctive gateway to Macquarie Park.

Bringing people together to celebrate new places

Delivering creative public art is an integral part of our approach to placemaking. Public art provides iconic symbols of place that help to define memorable spaces and shape community identity.

In Edmondson Park we transformed a 33 metre water tower into a mural that tells the history of the area. The mural was created by a local resident and indigenous artist and incorporates an indigenous abstract and aerial style of story-telling to reflect animals, market gardens, military uses and renowned local heroes and explorers. We also unveiled a visually arresting aluminium sculpture in Edmondson Park that references the military history of the area in a beautiful, non-traditional way.

In March 2018 we invited the Edmondson Park community and others with an interest in Bardia Barracks to help shape plans to attract people to the site, tell its stories and educate them about its heritage significance as a military training camp. The consultation session generated many ideas for reusing the buildings at the barracks that we are considering in shaping our plans for a community hub there.

As part of our Sydney Metro Northwest Places Program, we are planning a series of early activation initiatives around new stations to provide safe and vibrant spaces for metro customers and local communities to use when metro services commence in mid-2019. Activities are being organised in close collaboration with Sydney Metro and will reflect ideas suggested by local residents, such as community activities and food outlets, as well as 'surprise and delight' experiences such as engaging and interactive public art installations, events, exhibitions and public space to enjoy. All of these activities will be designed to reflect the emerging character of the place and start to build enduring community connections.



Water Tower and Tracker Dog, Edmondson Park

At Green Square we launched the Social Corner with our project partner Mirvac. This temporary community meeting place provides space for new and existing residents to meet their neighbours, relax, grab a coffee, collaborate and be inspired. Located on Ebsworth Street, the Social Corner provides a base for our Place Manager, who organised a Summer Festival of creative hands-on making workshops and family events for residents to learn and socialise together.

Leading the way in an evolving development industry

Our Parramatta Road Corridor Urban Transformation Strategy won the Hard-Won Victory and Best Planning Ideas: Large Project Awards at the Planning Institute of Australia's annual NSW and national awards ceremonies. The Strategy took three years to prepare and was finalised in late 2016. It provides for 27,000 new homes and 50,000 new jobs over 30 years and will drive \$58 billion of development value across the Corridor. It identifies local amenity projects to be developed in partnership with councils, funded by a \$198 million Urban Amenity Improvement Fund. It includes innovative mechanisms to coordinate future growth in line with transport, open space, and health, education and community facilities and contains a transparent funding and infrastructure schedule. It was the first Government policy to have a numerical Affordable Housing target. It was prepared under an exemplar governance model, showcasing best practice state and local government collaboration.

Our Oran Park project, delivered in partnership with Greenfields Development Company, was awarded the Urban Taskforce Australia Development Excellence Award for a Masterplanned Community. Works began in 2008 and the area is now the fastest growing suburb in Sydney, which will eventually be home to more than 30,000 people living in 10,000 homes. It has set a benchmark for masterplanned development in growth centres and showcases how government-private sector collaboration can successfully deliver housing and create urban centres to meet the employment, education, health and recreational needs of future generations.

In September 2017 we released the Landcom Housing Affordability and Diversity Policy. It includes a target for 5–10 percent Affordable Rental Housing in all our new developments. It also sets out a framework for us to demonstrate new models and typologies of housing through demonstration projects and for us to promote housing innovation by pursuing partnerships and opportunities which relate to diversity and affordability.

We adopted the Landcom Sustainable Places Strategy in November 2017. It identifies four major goals to guide the way we approach development to promote sustainability. The strategy will ensure we retain our position as a sustainability leader in the development industry and that we improve the lives of people who live, visit and work in the communities we develop.

Delivering creative public art is
an integral part of our approach
to placemaking, providing
iconic symbols of place that
help define memorable spaces
and shape community identity



▲
Display village,
Oran Park

An example of our commitment to sustainability in action is our first Skills Exchange program. We partnered with the NSW Land and Housing Corporation and TAFE NSW to support ten residents from Claymore and Airds to do an eight-week training course and obtain a qualification to work in the construction industry. Upon graduating in May 2018 five students had full time jobs with the contractor doing civil works on our Newbrook project in Airds. With improved access to jobs and learning opportunities, the program is driving tangible social and economic benefits and leaving a positive legacy.

In October we hosted the inaugural Co.Lab17, a two-day learning forum that reported back on the University Roundtable research progress and findings. It was a diverse gathering with more than 180 people from government, universities, TAFE NSW, industry and the community coming together to innovate, learn and collaborate on city-shaping research. The event provided an opportunity for our University Roundtable project lead researchers, emerging academic scholars, and government partners to talk about ten research projects underway and to challenge thinking, generate new ideas and stimulate discussions on urban renewal and housing challenges facing our city.

Sustainability

Embedding a new sustainability strategy and reporting framework

Landcom is committed to demonstrating excellence in sustainable development and planning practice. As part of this commitment, in FY18 Landcom adopted the new Sustainable Places Strategy, with a vision to create innovative and productive places that demonstrate global standards of liveability, resilience, inclusion, affordability and environmental quality.

The strategy and its reporting framework aim for world-class, net-positive impacts across social, environmental, economic and governance indicators. This is Landcom's first year of reporting against the new strategy, and detailed performance results are presented in our annual Sustainability Report.

In FY18 Landcom advanced its corporate governance in sustainability reporting by completing our second submission to the Global Real Estate Sustainability Benchmark, under the 'Real Estate' category.

Landcom further improved its performance in FY18, achieving a 90/100 rating.

We also established key industry partnerships to tackle important issues within industry, such as sustainability throughout the development supply chain. Landcom is now a Partner of the Australian Sustainability Supply Chain School, which provides training and education modules to Landcom staff and our supply chain on significant, industry relevant environmental, social or economic topics.

In addition, we adopted the Australia Social Value Bank (ASVB) 'Value Calculator' as our preferred method to measure and report on social impact and return on investment. The ASVB is a collection of social values and a Value Calculator that can be used by any group, organisation or professional to demonstrate their social impact. In FY18 we commenced internal staff training on the ASVB, and have used the Value Calculator throughout our social sustainability performance reporting.



▲
Lachlan's Line

Community engagement

Improving engagement with communities and stakeholders

Landcom was relaunched in FY18 with a new and very clear mandate: to take a lead role in improving the supply, diversity and affordability of new housing in Sydney and NSW. For us to do this successfully, we need to work closely with government agencies, local councils, the private sector and local communities.



▲
Community
consultation
session

Our approach to working with all these stakeholders is guided by our Engagement Charter which we adopted at the beginning of this financial year. It expresses Landcom's commitment to engagement, continued learning and improvement, and best practice engagement principles.

We are using these principles to guide our project planning and delivery. Our focus has been on being more:

- **Collaborative** — by actively partnering with key stakeholders and working with others who are interested in or impacted by our projects;
- **Purposeful** — by using engagement to effectively support our delivery of projects;
- **Proactive** — by engaging stakeholders earlier in project planning and throughout project delivery;
- **Accountable** — by clearly explaining why we are engaging stakeholders and how we have considered their feedback in our decisions;
- **Inclusive** — by encouraging a mix of community stakeholders with different needs and interests to engage in our projects.

Throughout the year, we reviewed the communications and engagement needs across our project portfolio. Priorities identified included supporting:

- Place planning and activation around new stations as part of the Sydney Metro Northwest Places Program;
- Infrastructure works at Lachlan's Line, including the widening of Delhi Road and the new pedestrian bridge connecting to North Ryde Station;
- The design and delivery of a large new riverside park in Wentworth Point;
- Planning for the town centre to the north of Edmondson Park Station and the future uses of heritage buildings at Bardia Barracks; and
- Subdivision works at Riverstone to unlock developable land for landowners.

As part of promoting a culture of engagement excellence, we strengthened our organisational capacity with new learning and development programs for our staff. These help them to talk to communities in the field and to maintain healthy working relationships with local councils and key agencies that we partner with to deliver projects.

Research and learning

Research and learning initiatives

Landcom has continued to strengthen our partnerships with schools, TAFE NSW and universities through the delivery of unique learning programs and collaborative research into complex urban challenges.

We have expanded our project-based school educational resources and field-based experiential learning activities. These include an excursion program delivered in collaboration with Observatory Hill Environmental Education Centre, which aligns with a Year 12 HSC case study on urban renewal and consolidation. To date 600 students have participated in this program.

We delivered our inaugural Hack4Cities schools event, which engaged 75 secondary students from public and independent schools in Western Sydney to explore solutions to community-based problems around the future of working. This unique learning experience was designed to develop students' critical thinking skills and instil a collaborative approach to problem-solving to equip them to deal with challenges facing Western Sydney over the next 20 years.

We commenced planning for Landcom's first Vocational Education and Training in Schools program with Bonnyrigg High School. This will enable 11 students to undertake work placement on our Bonnyrigg site as part of their construction carpentry course.



▲ Students attend Co.Lab 2017



Skills Exchange

The first Skills Exchange program was delivered in close partnership with the Land and Housing Corporation and TAFE NSW. Thirteen students commenced the eight-week training course to gain a Certificate II in Resources and Infrastructure Work Preparation. Ten students received certificates of participation in the Skills Exchange program. The training these students have received from the Skills Exchange program will equip them to take up employment opportunities in the construction industry. Five students were offered positions with Western Earth Moving, which is undertaking civil works to enable future residential development. Other students have been connected with labour hire companies to assist with their employment opportunities.

This is the second year of Landcom's unique University Framework Agreement, a partnership with eight leading NSW universities. The University Roundtable meets five times per year to discuss six core areas of engagement:

- Research;
- Industry interface;
- Specialist scholarly advice;
- Student engagement;
- Data sharing; and
- Learning events.

The University Roundtable uses a dynamic Communities of Practice model that brings academics from diverse disciplines together with Landcom and UrbanGrowth NSW Development Corporation personnel to consider complex urban challenges.

The Communities of Practice reflect the different scales of urban transformation and delivery of more affordable and sustainable communities:

- Governance, Planning and Partnerships (statewide);
- Precincts, Projects and Places (precinct level); and
- Products, Design and Construction (house lot level).

Three Communities of Practice



Collaboration continued with our university partners on innovative urban research projects, as well as a number of student learning initiatives. Some of the research topics include:

- Housing diversity;
- Affordable housing;
- Econometric modelling;
- Urban heat island impacts and mitigation;
- Phytoremediation of contaminated land;
- Healthy higher density living;
- Open space requirements;
- Collaborative robotics;
- Digital communication technology;
- Data analytics for city shaping;
- Biodiversity;
- Social sustainability;
- Place-based activation;
- Valuing adaptive heritage re-use; and
- Autonomous and connected vehicles.

Co.Lab17 included more than 30 presentations and panel discussions on collaborative research projects and student learning initiatives

As required under our University Framework Agreement, Landcom successfully delivered the first State of Engagement Forum — Co.Lab17 (19–20 October 2017). This showcased progress on collaborative research projects with university partners and promoted Landcom's strong commitment to its Schools and TAFE NSW learning initiatives. This inaugural Co.Lab17 event was held at Australian Technology Park and was attended by over 180 people. Staff from Landcom, UrbanGrowth NSW Development Corporation and other government agencies shared experiences with university academics and students, TAFE NSW students, and high school students and their teachers. The conference included more than 30 presentations and panel discussions on collaborative research projects and student learning initiatives on Landcom and UrbanGrowth NSW Development Corporation project sites. The Co.Lab17 exhibition featured each of the university partners, government agencies and an extensive 'Schools Zone'. Outstanding student works from Landcom university partners were also displayed.

Landcom also jointly delivered the international conference Vanguard Australia in Newcastle (6–10 November 2017). Young urbanists from around the world were selected to attend. This was the first time the Vanguard Conference has been hosted outside North America. Newcastle was selected as the host city in recognition of the significant urban change occurring in the city and the collective efforts over the last decade by Landcom, UrbanGrowth NSW, the Hunter Development Corporation, the Newcastle City Council, the University of Newcastle and Transport for NSW to revitalise Newcastle. The conference was a celebration of Newcastle's unique identity, dynamic change, innovation, heritage and culture — and, of course, the Newcastle community.



VR display, Co.Lab17

Looking ahead to FY19

Our Strategic Directions set the big picture framework for Landcom's commitment to *creating more affordable and sustainable communities* and the objectives under each will set our focus over the next three to five years. (Our objectives are available at www.landcom.com.au.)

Under this framework this coming year will see us focus on sourcing new project opportunities for the future, achieving housing targets, beginning a demonstration program to test housing solutions, embedding our new approach to sustainability leadership, and investing in our people and systems.

Sourcing new opportunities to contribute to housing supply, diversity and affordability

Over the years we traded as UrbanGrowth NSW, we successfully transitioned away from greenfield housing projects to a focus on urban infill and regeneration projects, and consequently our land reserves decreased. With our new mandate we now need to establish a pipeline of development projects to enable us to contribute to housing supply,

affordability and diversity into the future. This is an important focus in the year ahead and we are exploring a number of opportunities with government agencies and the private sector.

As well as projects in Greater Sydney, we will also consider how we can contribute to housing in regional areas.

Achieving housing targets

With our new mandate, in September 2017 we adopted a Housing Affordability and Diversity Policy that includes commitments relating to Affordable Rental Housing, housing mix, location and design excellence, and innovation. The policy contributes to the NSW Government's commitment to provide for the needs of different household types and incomes, and is aligned to Affordable Housing targets included in the *Greater Sydney Regional Plan – A Metropolis of three cities*. The application of the policy is a key focus in the year ahead. It includes a target that 5–10 percent of new homes in our projects will be Affordable Rental, provided by Community Housing Providers.

Landcom's existing projects will contribute to the target of delivering 20,000 new home sites over the four years to March 2019. We are also committed to releasing over 500 new housing lots aimed at the first home buyers' market over the two years from September 2017. We are on target to achieve this, with 338 home sites for first home buyers released by the end of FY18.

Testing new housing solutions

Our housing policy also includes a commitment to demonstrating new housing models and types. In the year ahead we are planning to commence a demonstration program to test Affordable Housing solutions, with the aim that they be replicable and commercially viable, and meet a range of demographic needs. The demonstration projects will include a mix of housing types, tenures and price points for a

Home construction at Macarthur Heights





▲
Oran Park

Our staff have worked together to define our leadership intent — creating more affordable and sustainable communities

range of households, including Affordable Housing managed by Community Housing Providers. We plan to explore innovations in business models, designs, financing, materials and construction methods.

Embedding our new Sustainable Places Strategy across our projects

In the coming year we'll produce the first report on our performance against our new Sustainable Places Strategy. The strategy is aligned to national and international commitments and obligations, such as the Paris Agreement and the United Nations Sustainable Development Goals. It includes four major goals related to climate resilience, health and inclusion, productivity, and accountability.

You can read the Sustainable Places Strategy at www.landcom.com.au.

Investing in our people and improving systems to help us be more agile

With the reorganisation of the UrbanGrowth NSW portfolio and the organisational restructure that followed, it is now very important to invest in our people. We have a highly skilled and experienced team and we have been working closely with our staff to determine our corporate priorities, and to establish how everyone will individually contribute to Our Strategic Directions. We've also worked together to define our leadership intent — *creating more affordable and sustainable communities* — and the culture we value. In the year ahead we have a strong focus on building our culture, and supporting and developing our people. We also have a number of projects underway to streamline systems and processes, to enable us to be more agile.

Our charter and function

Our charter and function

Landcom is a State Owned Corporation operating under the *Landcom Corporation Act 2001*.

Landcom's leadership intent is to create more affordable and sustainable communities. We act as a master developer, developer and builder where appropriate to achieve outcomes for our stakeholders. This also includes partnerships with NSW Government departments and external commercial entities to maximise our impact on NSW communities.

Through a Ministerial Statement of Priorities, the NSW Government has established three key priorities for Landcom in NSW as it undertakes its tasks:

1. Increasing the affordability, supply and diversity of housing;
2. Building successful partnerships in delivery; and
3. Demonstrating leadership in sustainable development excellence.



Corporate governance

Lay solid foundations for management and oversight

Board Charter and Landcom principal objectives

The Board is accountable to our Shareholder and Portfolio Ministers for the performance of Landcom and the delivery of Our Strategic Directions. In doing this, the Board aims to deliver on the NSW Government's housing affordability objectives across metropolitan and regional NSW, including by:

- Increasing affordability, supply and diversity of housing;
- Building successful partnerships in delivery; and
- Demonstrating leadership in sustainable development excellence.

Under the *Landcom Corporation Act 2001*, Landcom has seven principal objectives:

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

The Charter, reviewed annually by the Board, sets out the duties, independence and ethical standards, and expectations of individual Directors, including procedures for declaring conflicts of interest. Specific responsibilities of the Board include:

- Providing leadership and setting the tone for Landcom's culture;
- Providing input into, reviewing and approving the Statement of Corporate Intent (SCI) and other major plans and ensure performance objectives are included, and oversee their implementation;
- Monitoring the implementation of approved strategies, guidance and directions from the Shareholder Ministers and the Portfolio Minister;
- Approving major capital expenditure, capital management, acquisitions and disposals and other significant financial matters outside the express authorities delegated to the Chief Executive Officer (CEO) and, as applicable, make recommendations to the Shareholder Ministers;
- Approving financial and other reporting, including the annual and half-yearly financial statements;
- Approving the risk management framework (including the risk appetite and internal control systems) and overseeing compliance with laws and policies;
- Ensuring the continuous, proactive and timely disclosure of material information to Shareholder Ministers and the Portfolio Minister;
- Approving, and reviewing as needed, delegations of authority to Board Committees, CEO and Management generally;
- Supporting the CEO and ensuring appropriate resources are in place to implement approved strategy, SCI, major plans and any Ministerial Directions;
- Making recommendations to the Shareholder Ministers in relation to appointing, remunerating and evaluating the performance of the CEO; and
- The CEO will consult with the Board prior to the appointment of any member of the Executive Committee, their remuneration framework, and succession planning for these roles.

Director appointment and selection

The process of selecting a new Director involves a review of the Board Skills Matrix to consider the experience of current directors, identifying gaps in the Board's skills and engaging with NSW Treasury and the appointed recruitment consultant to identify and present appropriately skilled and experienced candidates.

The candidates undergo a thorough process which involves a formal interview with a panel appointed by NSW Treasury, including a representative from Landcom's Board. If the panel determines a candidate is suitable for appointment to the Board, comprehensive probity checks are undertaken of the potential appointee's character, experience, qualifications, criminal and bankruptcy history. The candidate's recommendation is considered by the Shareholder and Portfolio Ministers. This recommendation is then considered by Cabinet prior to any appointment being approved by the Governor.

Company Secretary

The Board is responsible for the appointment of the Company Secretary who is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.

The Company Secretary works with the Chair to monitor and enhance corporate governance processes and to ensure that Board policies are followed.

The Company Secretary, on a day-to-day basis, reports to the Executive General Manager Business Operations and Compliance.

Diversity

The Board is in full support of diversity and inclusion and has adopted a Diversity and Inclusion Policy covering our Directors, senior management and employees. The People, Culture and Nominations Committee is responsible for overseeing Landcom's diversity strategy and progress towards achieving the measurable objectives.

The key focus areas of the policy are gender, indigenous cultures and multiculturalism, each as the driving force to create momentum for change to enable diversity. Having a diverse workforce and inclusive approach enable Landcom to bring together a wealth of knowledge, backgrounds, ideas and perspectives to create a workforce that is innovative, agile and resilient.

To measure performance against the Diversity and Inclusion Policy, benchmarks have been set across four workforce diversity groups (gender, Aboriginal and/or Torres Strait Islander People, people whose first language spoken as a child was not English, and people with a disability) and will be reported against annually.

The Policy will be reviewed in early 2019 at which time the measurable objectives will be further refined to enhance Landcom's diversity strategy.

Performance against measurable objectives is included on page 53 of this Annual Report.

Board evaluation

The Board is committed to undertaking annual performance reviews, with every second annual review being conducted with the assistance of an external consultant. At the time of the 2017 review, the Board engaged an external consultant to complete an independent review of performance of the Board, Board Committees, each individual Director and of Landcom's governance framework.

The results of this review were presented to the Board and the CEO in December 2017. The review recommended matters be addressed to support the Board's governance oversight responsibilities. These recommendations can be classified into Board composition and directorships, policy frameworks and reporting processes and procedures.

The Board and Management subsequently implemented a program to address these findings and recommendations, with each matter having been addressed at the time of writing or allocated dates for delivery of those matters in progress.

Senior executive evaluations

The performances of senior executives are reviewed annually, including the setting of Key Performance Indicators (KPIs) which are measurable and quantifiable. These KPIs are assessed during interim six monthly reviews and quarterly check-ins.

During FY18, all staff participated in mandatory performance reviews and setting of individual performance plans.

The KPIs for the CEO are set by the Board to align with Our Strategic Directions. The Chair formally assesses the CEO's performance against these targets and reports the progress to the People, Culture and Nominations Committee and the Board.

Board structure

The Board should have a range of skills, experience, perspectives and diversity for it to properly understand and competently address significant current and emerging issues for Landcom and meet its statutory objectives. This includes Directors with experience in the following areas:

- property development;
- design, planning and project management;

- affordable or community housing;
- government or public sector; and
- finance.

The table below sets out Directors' attendance at Board and Board Committee meetings for the reporting period, together with details on their independence, appointment date and Government Board appointments.

Board and Board Committee attendance (FY18)									
Director	Board		Audit and Risk Management Committee		People, Culture and Nominations Committee		Independent	Year appointed	No. Government Boards ¹
	A	B	A	B	A	B			
Suzanne Jones (Chair)	13	13	5	5	2	2	Yes	2016	1
John Barbeler²	1	1	–	–	–	–	Yes	2018	4
Jim Betts³	6	9	–	–	–	–	No	2017	2
Peter Roberts⁴	1	1	–	–	–	–	Yes	2018	1
Gai McGrath⁵	13	13	5	5	3	3	–	–	–
Matthew Quinn⁶	11	13	1	5	3	3	–	–	–
John Brogden⁷	10	12	–	–	1	1	–	–	–
Ken Maher⁸	6	7	–	–	–	–	–	–	–
Karen Penrose⁹	1	1	–	–	–	–	–	–	–

A Meetings attended

B Meetings eligible to attend

1 Government Boards includes any Board or Committee positions held within NSW Government or Local Government, including Landcom.

2 John Barbeler was formally appointed as a Director on 14 March 2018 however due to this appointment date being backdated several weeks, Mr Barbeler was unable to attend two meetings.

3 Jim Betts' term as a Director incurred a brief hiatus between the expiry of his term and his reappointment as a Director and so he did not participate in four meetings from December 2017 to February 2018.

4 Peter Roberts was appointed as a Director on 4 April 2018.

5 Gai McGrath retired from the Board at the expiry of her first term, effective 21 June 2018.

6 Matthew Quinn resigned from the Board effective 27 April 2018.

7 John Brogden did not participate in two meetings due to the nature of discussions at those meetings. Mr Brogden's term as Director expired on 12 April 2018.

8 Ken Maher retired from the Board at the expiry of his first term, effective 14 December 2017.

9 Karen Penrose resigned from the Board effective 31 July 2017.

Gender diversity breakdown for the Board at the start and end of the reporting period		
	1 July 2017	30 June 2018
Female	43%	25%
Male	57%	75%

Director independence

The composition of the Board, the independence of Directors and the limitation on Government Board¹ appointments are all determined in accordance with the Board Charter having regard to the NSW Treasury's 'Guidelines for Government Boards of Government Businesses — TPP17-10'. All Directors are independent, with the exception of Jim Betts who is Chief Executive Officer of Infrastructure NSW, a NSW public sector agency. The Board's majority independence allows for decisions to be made in the best interests of Shareholders.

All Directors have no more than three Government Board¹ appointments, with the exception of John Barbeler who, prior to and from the time of his appointment as a Director of Landcom, holds positions on three local government Audit, Risk and Improvement Committees. The Board has determined that the total time commitment required for Mr Barbeler to hold these positions does not impact his ability to fulfil his duties as a Director of Landcom.

Succession plan and crisis management procedures

The Board, through its People, Culture and Nominations Committee, consider the matter of Board succession planning on a regular basis.

In the event of a crisis, the Board will follow internal protocols on crisis management which are reviewed annually and tested regularly as part of business continuity planning.

Board skills matrix

The Board Plan, approved in April 2018, sets out the best structure for the Board to add value having regard to the current Board's size, composition, diversity, skills and expertise, cohesion and need for appropriate renewal while meeting future needs. The Board plan draws upon inputs encompassing five key elements:

1. Board performance evaluations;
2. The Board skills matrix;
3. Board policies, including the Diversity and Inclusion and Director Professional Development Policies;
4. Consultation with relevant stakeholders, as deemed appropriate; and
5. People, Culture and Nominations Committee recommendations.

The Board skills matrix identifies the number of Directors with skills and experience in areas considered most relevant for Landcom. The skills matrix is reviewed annually through a Director self-assessment methodology against a set of descriptive guidelines.

Directors who assessed their skill level as Advanced or Expert satisfied the capability requirement for inclusion in the matrix. Directors who assessed their skill level as Competent in any skill category have not been included in the matrix.

¹ Government Boards includes any Board or Committee positions held within NSW Government or Local Government, including Landcom.

Board skills matrix		
Skills and experience		No. of Directors (out of 4)
Leadership and people	Leadership experience, influencing organisational culture and people management practices	4
Strategy	Developing, implementing and challenging strategic and business plans	3
Urban design and renewal	Design, architecture, planning, public sector and community engagement	3
Property development and project management	Large scale multi-purpose development and project management and delivery	4
Government	Senior advisory public sector experience	3
Financial acumen	Financial accounting and reporting, including analysing financial statements and assessing financial viability	4
Risk management	Enterprise risk management	4
Commercial operations	Technology, procurement, contract management, marketing	3
Legal and regulatory	Contracts, compliance, dispute management	4
Corporate governance	For profit board experience	2
Capital management	Capital management strategies, corporate finance and capital markets	3
Sustainability and corporate responsibility	Developing and implementing social responsibility or sustainability strategies and initiatives	3
Work health and safety	Management practices and policy	4

Board induction and professional development

Landcom's Director Induction program is designed to ensure that newly appointed Directors receive an appropriate induction to familiarise themselves with the Landcom business and its industry, thus allowing new Directors to contribute to decision-making at the earliest opportunity.

Upon appointment to the Landcom Board, Directors participate in briefings with the CEO and other senior executives and receive information to assist with a timely understanding of:

- Landcom's financial, strategic, operational and risk management positions and policies;
- Landcom's portfolio of projects;
- Rights, duties and responsibilities of Directors and senior executives;
- Roles and responsibilities of senior executives; and
- Roles and responsibilities of Board committees.

In addition to an appropriate initial induction, the Board has adopted a Professional Development Policy to support Directors in maintaining and enhancing their effectiveness, including:

- Site visits to understand Landcom's operations; and
- Briefings to understand changes to industry and regulatory requirements, including regular WHS updates.

Board Committees

The Board has two standing Committees to assist with the discharging of their responsibilities.

The Board determines the composition and membership of its Committees. Each Committee sets, reviews and updates its Charter annually for approval by the Board. The Committee Charters detail their respective purpose, membership criteria, role and responsibilities. A summary is set out below.

People, Culture and Nominations Committee		
Composition	Membership in FY18	Purpose and Responsibilities
<p>Comprises three Directors, each of whom are independent non-executive directors.</p> <p>The Committee is chaired by an independent Chair who is not the Chair of the Board.</p>	<p>Current members:</p> <ul style="list-style-type: none"> • Peter Roberts (Chair) • Suzanne Jones • John Barbeler <p>Former members:</p> <ul style="list-style-type: none"> • Gai McGrath • Matthew Quinn • John Brogden 	<p>The Committee operates under Charter and is responsible for making recommendations to the Board with respect to:</p> <ul style="list-style-type: none"> • Developing a composition framework for the Board having regard to the current Board's size, diversity, skills and expertise, tenure, cohesion and need for appropriate renewal from time to time, and as a consequence make appropriate recommendations to Government for the appointment of new Directors; and • Fulfilling its oversight responsibilities in relation to significant human resources matters.

Audit and Risk Management Committee		
Composition	Membership in FY18	Purpose and Responsibilities
<p>Comprises three Directors, each of whom are independent non-executive directors.</p> <p>The Committee is chaired by an independent Chair who is not the Chair of the Board.</p>	<p>Current members:</p> <ul style="list-style-type: none"> • John Barbeler (Chair) • Suzanne Jones • Peter Roberts <p>Former members:</p> <ul style="list-style-type: none"> • Gai McGrath • Matthew Quinn • Karen Penrose 	<p>The Committee operates under Charter and is responsible for making recommendations to the Board with respect to:</p> <ul style="list-style-type: none"> • Enhancing the systems of internal control of Landcom; • Improving external accountability and financial management; • Overseeing the effectiveness of the work health and safety framework; • Overseeing and promoting the effectiveness of the risk management framework; • Maintaining an effective and efficient external and internal audit capability; • Ensuring compliance with applicable legislation; and • Continuous improvement of Landcom's business management systems.

Act ethically and responsibly

Code of Conduct

Landcom has a Code of Conduct (the Code) in place and applies to our Directors, employees, contractors and consultants (Staff), setting out how we should conduct ourselves every day. The Board updated the Code in July 2018 (FY19) to reflect Landcom's core values (culture statements), outlined on page 55 of this Annual Report.

The Code is supported by Landcom's policy framework and all Staff are required to acknowledge the Code through a written declaration.

Guiding principles

The Code operates on six guiding principles which inform every decision and action taken:

1. Act with honesty and integrity in everything we do.
2. Build relationships, treating all others with respect and dignity.
3. Ensure the safety and wellbeing of yourself and others.
4. Respect confidentiality and use information appropriately.
5. Use and manage public resources economically and efficiently.
6. Hold each other accountable to the Code of Conduct.

Safeguard integrity in corporate reporting

CEO and CFO declaration

The Board receives declarations twice a year for the half and full year financial periods in accordance with Section 41C of the *Public Finance and Audit Act 1983* from the Chief Executive Officer and Executive General Manager with functional responsibilities of the Chief Financial Officer. The declarations confirm whether, in their opinion, the financial records of Landcom have been properly maintained, whether the financial statements apply with the appropriate accounting standards and give a true and fair view of Landcom's financial position and performance, and whether any circumstances exist which may render the financial statements misleading or inaccurate.

Make timely disclosure

Disclosure policy

Landcom has a Continuous Disclosure Policy which includes the following principles consistent with the NSW Treasury Policy 'Performance Reporting and Monitoring Policy for Government Businesses — TPP18-02':

- Landcom will make timely disclosures to shareholder ministers where Landcom becomes aware of any matters concerning Landcom or its operations, whether strategic, financial or non-financial performance outcomes, which might reasonably be expected to influence NSW Treasury and Shareholder Ministers' view of Landcom's outlook;
- Landcom will make timely disclosures to NSW Treasury where Landcom becomes aware of any matters concerning Landcom or its operations which may potentially cause material variation of at least 10 percent of the total cost of a capital project or Landcom's overall total capital expenditure program across the forward estimates; and
- Landcom will make timely disclosures to the public and key stakeholder where Landcom becomes aware of any information concerning Landcom or its operations that a reasonable person would expect would be of significant interest or concern to those entities or that is likely to impact on the general public.

Acknowledge the rights of shareholders

Processes for communication with shareholders

The Chair and CEO conduct half-yearly briefings with the Treasurer and the Minister for Finance, Services and Property, as Landcom's Shareholder Ministers.

Landcom may conduct additional briefings for our Shareholder Ministers as required.

The Chair and CEO meet half-yearly with the Secretary of NSW Treasury. Additionally, Landcom's Management frequently interact with NSW Treasury as the representative of Landcom's Shareholder Ministers.

Recognise and manage risk

Risk Management Framework

The Board has adopted a consolidated approach to risk management which incorporates governance, compliance, risk appetite and business continuity management. This approach is consistent with the Australian and New Zealand Standard on Risk Management (ISO 31000:2009). The Risk Management Framework was last reviewed and adopted by the Board in August 2018 (FY19) and will be reviewed at least annually for currency and to ensure the approach to risk management continues to be sound.

The Board oversees that an effective Risk Management Framework is in operation and has delegated to management responsibility for risk management activities, following a 'three lines of defence' model:

- **Line 1 — Ownership:** owning and managing risk through management controls and internal control measures such as internal policies and procedures;
- **Line 2 — Oversight:** monitoring of risk through our risk management, compliance and safety functions; and
- **Line 3 — Assurance:** independent assurance through an internal audit function.

Internal audit

Landcom has co-sourced the internal audit function, led by Landcom's Chief Audit Officer and supported by an external internal audit provider, Deloitte. The function provides the Audit and Risk Management Committee and senior management with independent, objective assurance around internal controls.

The Chief Audit Officer functionally reports to the Chair of the Audit and Risk Management Committee and attends and reports to each meeting of the Audit and Risk Management Committee against the internal audit plan, as approved by the Audit and Risk Management Committee.

Material risk

Landcom is exposed to a range of political, economic, social, technological, environmental and legal risks which could have an adverse effect on Landcom's future. These risks may vary over time and from project to project. Landcom puts processes in place to reduce inherent risks and manage residual risks.

Measuring people performance

Human Capital Management System

In the year ahead we are putting in place a new Human Capital Management System (HCMS). This will enable strategic people decision-making to drive business outcomes, and will increase the organisation's ability to predict, respond to and manage current and future workforce challenges. Using analytics to support business decisions will:

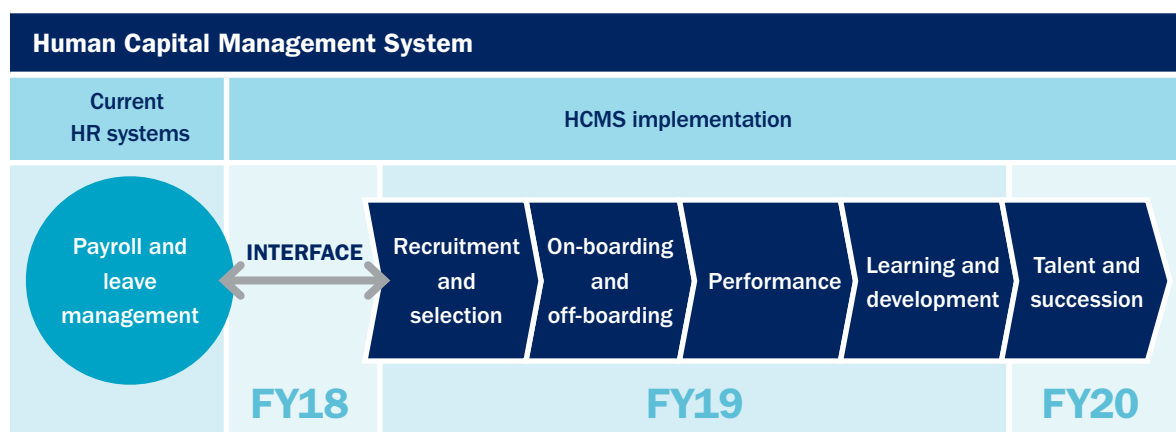
- Enable real time access and management of people data — provide employees, managers, and People and Culture with immediate access to reliable metrics (dynamic, up-to-date, accurate and consistent data);
- Provide user-centric technology that enables the organisation to integrate people processes — improving the employee experience, increasing employee engagement and enabling Landcom to take a leadership position within the employment market;
- Drive organisational productivity through effective workforce management processes — streamline and automate workflows, enabling people to focus on taking action through self-service functionality; and
- Reduce the current risks and issues — eliminate manual and inconsistent processes to enable compliance with regulatory and government legislation.

Training

A just-in-time, blended training strategy will be used. This will allow all employees and managers to build awareness and capability when they need to start using each module within the HCMS. The timelines will be determined based on operational milestones. The blended approach will incorporate a mix of face-to-face and online learning to ensure the learning is accessible and embedded into employee and manager roles.

Duration

A phased implementation will take place to enable the People and Culture team to deliver the HCMS modules as the capability of the organisation builds. Implementation will commence in FY19 to provide an interface with existing HR systems and enable the use of recruitment, on/off boarding, performance, and learning modules. This project will conclude with the implementation of talent and succession during FY20.



Risk management

Landcom is committed to good corporate governance and adopts a methodical approach to the process and practice of risk management. Our risk framework is consistent with the Australian/New Zealand Risk Management Standard AS/NZS ISO 31000:2009 and our risk management practices are integrated into our business processes and operations.

Our risk management framework aims to provide clarity on our appetite and limits for business risk, raise risk awareness throughout the organisation and provide the framework, policies and procedures required to successfully manage the risks inherent in our business.

To ensure our risk management process continues to work effectively and creates value, we:

- Ensure the Board, Chief Executive Officer, Executive Committee and all staff are committed to risk management;
- Continuously enhance the integration of risk management within our business processes; and
- Assign risk management responsibilities within the organisation, review our risk management framework to continually improve our decision making and business processes and ensure they provide clear, consistent methodology, reporting and auditing tools.

Significant improvements have been made to the awareness, management and reporting of risk in key areas of the business such as:

- Work health and safety;
- Projects risks;
- Information and communications; and
- Fraud and corruption prevention.

The risk management framework also provides for appropriate processes to govern, review and audit our risks. These include:

- Regular risk reviews by the full Board and the Audit and Risk Management Committee of the Board;
- An internal audit program supported by reviews by independent certifiers; and
- Reviews of our business partners' capacity and ability to meet their obligations. Depending on the role of those partners, these reviews may include financial capacity, safety and risk management abilities, compliance with government procurement guidelines and other measures as appropriate.

The Board's Audit and Risk Management Committee consists of non-executive Directors and is attended by management representatives as well as independent experts and observers.

The Committee regularly considers risk matters arising from internal and external audits as well as independent assessments of performance against key risk management systems such as the Work Health and Safety Management System, Environmental Management System, Fraud Control Framework and others.

Business continuity

Our Business Continuity Plan is designed to minimise adverse impacts on our staff, stakeholders and business operations in the event of a major incident or crisis.

The Business Continuity Framework underwent a whole review in July 2018 and will be reviewed on an annual basis to ensure that we have the resources and capability to respond to an event that could disrupt or threaten our business. Our Framework identifies critical business processes and scenarios that could disrupt our business, and includes business continuity recovery plans and periodic testing of recovery plans.

Insurance

The NSW Treasury Managed Fund provides our insurance cover. This fund is based on the principles of self-insurance, and prioritises the implementation of sound risk management practice. The self-insurance scheme is administered by Gallagher Bassett for processing of Self-Insurance claims relating to Motor Vehicle, Property, Public liability and director/officer liability. Workers Compensation Insurance is administered by Allianz Australia under the Treasury Managed Fund.

We completed our FY18/19 Renewal Declarations for the Treasury Managed Fund in December 2017 and all policies have been renewed for the current policy period.

Public access to information and the protection of privacy

Government Information (Public Access) (GIPA) formal access applications

During the reporting period, Landcom received one valid formal access application under the *Government Information (Public Access) Act 2009* (GIPA Act). The processing period in the GIPA Act allowed for one application received in FY17 to be carried into FY18.

In FY18, the two applications were decided as follows:

- One application was refused in full because:
 - Some of the information was not held; and
 - Some of the information was already publicly available.

- One application was partly refused because:
 - Some of the information was already publicly available;
 - There was a conclusive presumption of overriding public interest considerations against disclosure (as listed in Schedule 1 of the GIPA Act); and
 - There were overriding public interest considerations against disclosure of some of the information (as listed in the Section 14 GIPA Act Table).

The following tables contain statistical information about the formal access applications decided in FY18.

Table A — Number of applications by type of applicant and outcome¹⁰

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Media	0	0	0	0	0	0	0	0
Members of Parliament	0	0	0	0	0	0	0	0
Private sector business	0	0	0	1	1	0	0	0
Not for profit organisations or community groups	0	0	0	0	0	0	0	0
Members of the public (application by legal representative)	0	1	0	0	1	0	0	0
Members of the public (other)	0	0	0	0	0	0	0	0

¹⁰ More than one public interest consideration may apply in relation to a particular access application and, if so, each such consideration is to be recorded (but only once per application). This also applies in relation to Table E.

Table B — Number of applications by type of application and outcome

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Personal information applications	0	0	0	0	0	0	0	0
Access applications (other than personal information applications)	0	1	0	1	2	0	0	0
Access applications that are partly personal information applications and partly other	0	0	0	0	0	0	0	0

Table C — Invalid applications

Reason for invalidity	Number of applications
Application does not comply with formal requirements (Section 41 of the Act)	0
Application is for excluded information of the agency (Section 43 of the Act)	0
Application contravenes restraint order (Section 110 of the Act)	0
Total number of invalid applications received	0
Invalid applications that subsequently became valid applications	0

Table D — Conclusive presumption of overriding public interest against disclosure: matters listed in Schedule 1 of the Act

	Number of times consideration used ¹¹
Overriding secrecy laws	0
Cabinet information	1
Executive Council information	0
Contempt	0
Legal professional privilege	0
Excluded information	0
Documents affecting law enforcement and public safety	0
Transport safety	0
Adoption	0
Care and protection of children	0
Ministerial code of conduct	0
Aboriginal and environmental heritage	0

11. More than one public interest consideration may apply in relation to a particular access application and, if so, each such consideration is to be recorded (but only once per application). This also applies in relation to Table E.

Table E—Other public interest considerations against disclosure: matters listed in table to Section 14 of the Act

	Number of occasions when application not successful
Responsible and effective government	2
Law enforcement and security	0
Individual rights, judicial processes and natural justice	1
Business interests of agencies and other persons	2
Environment, culture, economy and general matters	1
Secrecy provisions	0
Exempt documents under interstate Freedom of Information legislation	0

Table F — Timelines

Reason for invalidity	Number of applications
Decided within the statutory timeframe (20 days plus any extensions)	2
Decided after 35 days (by agreement with applicant)	0
Not decided within time (deemed refusal)	0
Total	2

Table G — Number of applications reviewed under Part 5 of the Act (by type of review and outcome)

	Decision varied	Decision upheld
Internal review	0	0
Review by Information Commissioner	0	0
Internal review following recommendation under Section 93 of Act	0	0
Review by NCAT	0	0
Total	0	0

Table H — Applications for review under Part 5 of the Act (by type of applicant)

	Number of applications for review
Applications by access applicants	0
Applications by persons to whom information the subject of access application relates (see Section 54 of the Act)	0

Authorised proactive release of information under Section 7(3) of GIPA Act 2009

Under Section 7 of the GIPA Act, agencies must identify the kinds of government information that can be made publicly available at least every 12 months.

Landcom's program for the proactive release of information involves regularly updating the Landcom website and individual project websites to provide information regarding our policies, projects and initiatives. We also consider publishing information about the community consultations we undertake and other commonly requested categories of information and the impact, if any, of proactively releasing this information.

During the year, Landcom:

- Considered the formal access applications received;
- Considered the informal applications received;
- Determined that there were no particular additional categories of information that were

being regularly or repeatedly requested in the formal applications;

- Reviewed and consulted with staff about information and categories of information that are frequently requested or which have been proactively released in FY18 — further consultation occurred through attendance at team meetings, GIPA briefings and updates; and
- Discussed with the Right to Information Officers of other State Owned Corporations the categories of information that they proactively release.

In addition, we regularly build on our industry knowledge and expertise through the work we do. Where we can, we share our knowledge freely within government, throughout the development industry and among interested members of the general public. We have adopted this practice as an effective way to build and maintain credibility. Our decision to share our intellectual property is also an effective way for us to demonstrate and influence change.

We will review this requirement for proactive release of information within the next 12 months.

Privacy

We are committed to ensuring that individual privacy is protected and our activities comply with the *Privacy and Personal Information Protection Act 1998* (NSW) (PPIP Act) and the *Privacy Amendment (Private Sector) Act 2000* (Commonwealth).

Our Privacy Policy was updated in 2017 and our privacy management plan is based on 12 information protection principles of the PPIP Act, which establish standards for using personal information. These are:

- Principle 1 (S.8 PPIP Act) — Collection of personal information for lawful purposes;
- Principle 2 (S.9 PPIP Act) — Collection of personal information directly from the individual;
- Principle 3 (S.10 PPIP Act) — Requirements when collecting personal information;
- Principle 4 (S.11 PPIP Act) — Other requirements relating to collection of personal information;
- Principle 5 (S.12 PPIP Act) — Retention and security of personal information;
- Principle 6 (S.13 PPIP Act) — Information about personal information held by agencies;
- Principle 7 (S.14 PPIP Act) — Access to personal information held by agencies;

- Principle 8 (S.15 PPIP Act) — Alteration of personal information;
- Principle 9 (S.16 PPIP Act) — Agency must check accuracy of personal information before use;
- Principle 10 (S.17 PPIP Act) — Limits on use of personal information;
- Principle 11 (S.18 PPIP Act) — Limits on disclosure of personal information; and
- Principle 12 (S.19 PPIP Act) — Special restrictions on disclosure of personal information.

There were no complaints about the use of personal information during the reporting year.

Our Right to Information Officer and Privacy Coordinator can be contacted by writing to:

The Right to Information Officer and Privacy Coordinator
Landcom
PO Box 237
Parramatta NSW 2124

or by emailing: right2info@landcom.nsw.gov.au
or enquiry@landcom.nsw.gov.au

Public Interest Disclosures Act 1994

The following table contains information about our obligations under Section 31 of the *Public Interest Disclosures Act*.

Section 31 Report				
		Made by public officials performing their day to day functions	Under a statutory or other legal obligation	All other PIDs
Number of public officials making a public interest disclosure		0	0	0
Number of public interest disclosures we received relating to:	Corrupt conduct	0	0	0
	Maladministration	0	0	0
	Serious and substantial waste of public money	0	0	0
	Government information contraventions	0	0	0
	Local government pecuniary interest contraventions	0	0	0
Total		0	0	0
Number of public interest disclosures we finalised			0	
Whether we have a public interest disclosures policy in place			Yes	
Action taken by us to ensure that our staff awareness responsibilities under Section 6E(1)(b) of the Act have been met		Staff briefings, inductions and team meetings, posters and copies of Landcom's PID Policy and Procedure on bulletin boards, links on the Landcom intranet, training provided by private sector organisation.		

Legal events

Thornton North Penrith No. 3 Pty Ltd v Landcom Supreme Court proceedings

On 15 May 2017, Thornton North Penrith No. 3 Pty Ltd (TNP) filed Supreme Court proceedings against Landcom. TNP alleged that Landcom breached an obligation under a contract for sale which required Landcom to install sewer lines within the road reserve adjacent to land purchased by TNP from Landcom at the Thornton estate in North Penrith. The parties agreed to a confidential settlement of the matter and the proceedings were discontinued on 3 November 2017.

Merceica proceedings — The Ponds

Landcom was served with a Statement of Claim by Dianne Merceica on 9 September 2016. The plaintiff sought damages, interest and costs in respect of an alleged trip and fall at Lakes Edge Park, The Ponds NSW on 5 April 2015. The plaintiff claimed Landcom owed her a duty of care and had breached that duty, resulting in her accident and her suffering injuries. Following an informal settlement conference, the parties agreed to a confidential settlement, with the Consent Judgement entered into in November 2017.

Organisational separation

On 15 March 2017, the *Administrative Arrangements (Administration of Acts — Amendment No 1) Order 2017* reallocated UrbanGrowth NSW Development Corporation (UGDC) to the administration of the Premier and Hunter Development Corporation (HDC) to the Minister for Planning. As a result, the Newcastle project was transferred to the Hunter Development Corporation and the remaining projects were split between Landcom and UGDC. The separation was designed to refocus and better align each organisation so they can deliver on their core business on behalf of the NSW Government.

The separation of HDC was effected on 31 July 2017 and the separation of UGDC was effected on 20 October 2017, by way of transfer orders made under the *Growth Centres (Development Corporations) Act 1974*. Landcom, which continues to function as

a State Owned Corporation, was refocused by the Minister for Planning and Housing, the Hon. Anthony Roberts MP, to take an active role in supporting the NSW Government's housing agenda, including increasing housing affordability, supply and diversity across the state.

Legislative changes

In the FY18 year, the following legislative changes were introduced which have or will impact on the following areas of Landcom's business.

- Following the adoption by the NSW Government of the *Electronic Conveyancing (Adoption of National Law) Act 2012*, the NSW Government announced the transition to electronic conveyancing in 2016, including that, from 1 July 2018, all standalone transfers and caveats must be lodged electronically, and all transactions must be lodged electronically from July 2019. In light of these changes, Landcom completed a review of its conveyancing practices and is making changes to ensure compliance and best practice.
- Amendments to the *Environmental Planning and Assessment Act 1979*, as well as changes to the NSW Biodiversity Laws, will impact on Landcom's community consultation practices.
- A new measure was announced in the 2017–2018 Federal Budget to improve the integrity of the GST system for certain property transactions, which came into effect on 1 July 2018.
- The new *Modern Slavery Act 2018*, which was passed by the NSW Parliament in June 2018, will impact on some of Landcom's compliance obligations.

Work health and safety

Landcom's approach to Work Health and Safety (WHS) is about caring for others and ourselves so that we can be productive, healthy and safe. This means we all go home at the end of every day to the people and things that are important to us.

We recognise that everyone at Landcom plays a part in creating a safety culture that actively identifies and manages risks. The health and safety of employees, contractors or members of the public should never be compromised. We hold ourselves to account for our actions and respectfully challenge others if safety standards and behaviours are not being maintained.

To this end, during the reporting period the Board, Executive Management team and WHS Committee strengthened our commitment to WHS by:

- Updating the WHS Policy and Procedures;
- Delivering new WHS training;
- Reviewing and expanding our supplier reporting system;
- Improving risk management through revised processes and tools; and
- Adding resources to expand the capability of our WHS team.

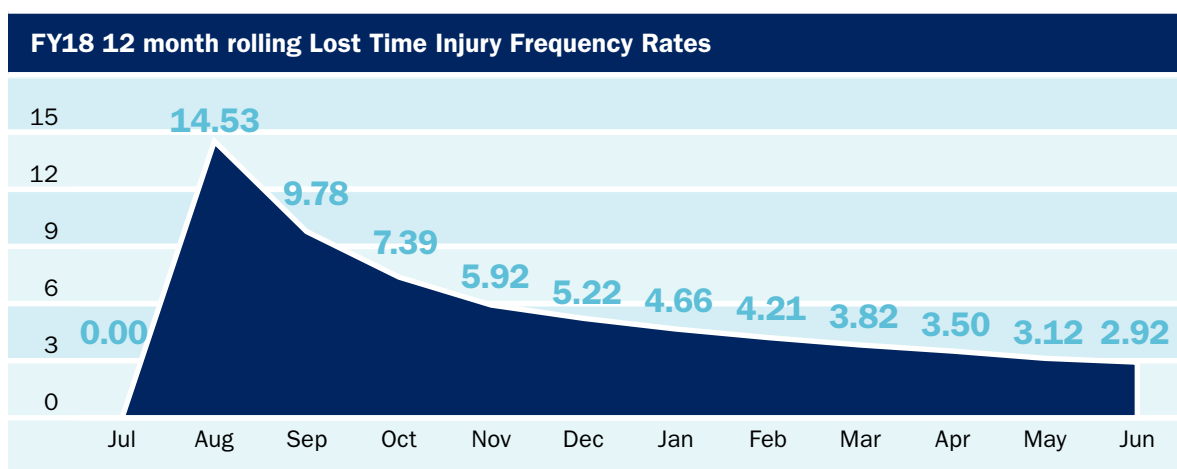
During the reporting period, Landcom did not have any prosecutions under the *Workplace Health and Safety Act 2011* or NSW WHS Regulations 2015.

There were six reported injuries to Landcom employees during the reporting period:

- One lost time injury, when an employee twisted an ankle resulting in one day off work and suitable duties assigned during recovery; and
- Five first aid injuries.

The following injuries were reported by contractors undertaking works on Landcom sites:

- One lost time injury (three days) from a rolled ankle;
- Two medically treated injuries:
 - Laceration to leg requiring stitches; and
 - Twisted knee requiring medical intervention.



Multicultural policies and services program

Ethnic Affairs Priorities Statement

The NSW Government recognises and values the different linguistic, religious, racial and ethnic backgrounds of all the people in NSW and requires all government agencies, including Landcom, to prepare multicultural plans to identify and address opportunities to meet the needs of these communities in our day to day operations.

The primary focus of Landcom's multicultural strategies over the past 12 months have been through our community engagement initiatives, sales and marketing programs and Community Development and Welcome Programs.

Our communications and stakeholder engagement staff provide guidance to project teams on community engagement. Our framework for engaging stakeholders, 'Join In', suggests ways to engage

Ethnic Affairs Priorities Statement				
Ethnic affairs initiative	Key result area	Strategies/tasks	Responsibility	Resources/budget
Develop and implement stakeholder engagement strategies	Social Justice [1.9 Planning for Cultural Diversity]	Provide consultation opportunities at project planning stages/or engagement via Welcome Program or Community Development activities	EGM Corporate Affairs	Project budget
Provide information about interpretive and translation services in all relevant Landcom marketing and sales material	Social Justice [1.7 Access to Interpreters and Translators]	Review marketing and sales strategies for retail projects to identify opportunities for targeted CALD communities	Director Sales and Marketing	Marketing budget
Use ABS census data to identify languages spoken by emerging communities in Landcom projects	Social Justice [1.7 Access to interpreters and translators]	Arrange for access to interpretive and translation services at Community Development and Community Engagement events and activities	EGM Corporate Affairs	Project budgets
CALD community based organisations actively encouraged to tender for the delivery of Landcom Welcome Programs in new estates	Social Justice [1.9 Planning for Cultural Diversity]	Facilitate information sessions prior to the expressions of interest process (EOI), outlining the role and benefit of Landcom Welcome Programs	EGM Corporate Affairs	Project budgets
Identify strategies to increase participation by CALD residents in Landcom Welcome Programs	Social Justice [1.9 Planning for Cultural Diversity]	Undertake consultation with CALD residents in established Landcom communities	EGM Corporate Affairs	Marketing and/or project budgets
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	EGM Corporate Affairs	Division budget

with all of our stakeholders, including culturally and linguistically diverse communities.

We prepare promotional and marketing materials as part of our residential land sales process which include information about the availability of interpreter and translation services. We display posters detailing translating and interpreting services in our sales offices.

Our Community Development and Welcome Program provides services and welcome visits to the homes of customers who move into our developments. Welcome kits provided to new residents include information about local culturally and linguistically diverse (CALD) organisations, services for CALD residents and information on how to access free interpreter services.

Over the past year, program facilitators contacted new households in six new housing estates, some of which had high proportions of CALD residents. Our initiatives to assist community members and bring different community groups together included culturally themed welcome events, Harmony Day

events, culturally appropriate catering and employing staff from CALD backgrounds.

To better target these activities, we conduct surveys of new residents to capture basic demographic information and obtain feedback on our sales and marketing processes. The survey asks residents for information on their country of birth to help us prepare future sales and marketing campaigns and community development programs.

Of the local government areas where we currently have Community Development and Welcome Programs, the following have the greatest percentage of residents born overseas: Campbelltown — 38%; Penrith — 28%; and Camden — 23% (source ABS 2016 census).

We select staff on merit and advocate for the principles of cultural diversity. In addition, our staff training incorporates cross-cultural components. Over the next two years, we will implement and review our performance against our Ethnic Affairs Priorities Statement.

Performance indicators	Report 2017–2018	Goals for 2018–2019
100% of projects	100% of current projects implemented community consultation/development activities	100% of current projects to report on implemented community consultation activities
Review completed (timeliness)	Translating and interpreting services information provided in all sales offices, interpreters used for specific community meetings	Provide references to translation and interpreting services in marketing and community information
Review of ABS census data (timeliness)	Census and project survey data reviewed for Landcom projects to identify major CALD communities	Initiate a minimum of one Community Development project or event in each Welcome Program that addresses the needs and interests of identified CALD groups
Number of CALD community based organisations submitting EOIs for the delivery of new Welcome Programs	A CALD community based organisation (Macarthur Diversity Services Inc) is currently delivering Landcom Welcome Programs at Macarthur Heights and Newbrook	Encourage CALD community based organisations to tender for delivery of Landcom Welcome Programs in projects with anticipated high percentage of CALD residents
Consultation undertaken with CALD residents and strategies included in project based community activities (timeliness)	Harmony Day and cultural activities delivered in Landcom projects with a high percentage of CALD families and young people	Plan and deliver specific initiatives for CALD families and young people in Welcome and Community Development Programs
Partnerships established and maintained	Macarthur Diversity Services Inc delivered a range of Community Development initiatives (playgroups, environmental education etc) in Landcom's Macarthur Heights and Newbrook projects	Continue to develop partnerships that enable Community Development Programs to better address the needs of CALD residents in Landcom communities

Workforce diversity performance

Future Leaders Program

In FY18 we launched our first Future Leaders Program, where the participants will undertake a program of structured workshops and applied development while working on how Landcom can better partner with Aboriginal Land Councils. The program will conclude with the team presenting to the Board and Executive Committee in February 2019.

We selected eight participants across Landcom, ensuring we had diversity of thought and perspectives:

- 50–50 gender balance achieved;
- Five representatives from project divisions; and
- Three representatives from corporate divisions.

Strengths assessments

Landcom has adopted strengths based development to enable more harmonious and effective internal collaboration and cognitive diversity. Teams have participated in off-site facilitated workshops looking at their strengths and how to further enhance team and individual performance. This will continue throughout FY19.



Trends in the representation of Workforce Diversity Groups

Trends				
Workforce Diversity Group	Benchmark	2016	2017	2018
Women	50%	48.8%	50.8%	49.4%
Aboriginal and/or Torres Strait Islander People	3.3%	0.0%	0.0%	0.0%
People whose first language spoken as a child was not English	23.2%	20.2%	20.2%	23.5%
People with disability	5.6%	2.4%	2.4%	1.9%
People with disability requiring work-related adjustment	N/A	0.4%	0.4%	0.0%

Note 1: The benchmark of 50% for representation of women across the sector is intended to reflect the gender composition of the NSW community.

Note 2: The NSW Public Sector Aboriginal Employment Strategy 2014–17 introduced an aspirational target of 1.8% by 2021 for each of the sector's salary bands. If the aspirational target of 1.8% is achieved in salary bands not currently at or above 1.8%, the cumulative representation of Aboriginal employees in the sector is expected to reach 3.3%.

Note 3: A benchmark from the Australian Bureau of Statistics (ABS) Census of Population and Housing has been included for People whose First Language Spoken as a Child was not English. The ABS Census does not provide information about first language, but does provide information about country of birth. The benchmark of 23.2% is the percentage of the NSW general population born in a country where English is not the predominant language.

Note 4: In December 2017 the NSW Government announced the target of doubling the representation of people with disability in the NSW public sector from an estimated 2.7% to 5.6% by 2027. More information can be found at: [Jobs for People with Disability: A plan for the NSW public sector](#). The benchmark for 'People with Disability Requiring Work-Related Adjustment' was not updated.

Addressing discrimination in the workplace

We have developed a new Discrimination, Harassment and Bullying Free Workplace Policy, which was launched to all staff in June 2018. From August, we will collaborate with an external provider to launch the training awareness and education workshops. These workshops will help everyone within Landcom to increase their ability to connect and communicate with each other in a productive, civil manner. The workshop will raise awareness of what is bullying in the workplace. It will also help staff to develop practical skills to build better relationships.

Our guarantee of service

Our leadership intent, culture and Code of Conduct

To be effective, the Code of Conduct needs to reflect Our Strategic Directions, our leadership intent and culture statements so that the expectations of our staff are clear and consistent.

Landcom has made significant progress in defining the expectations of our people to deliver Our Strategic Directions. In June 2018, the Executive Committee (ExCo) endorsed Landcom's leadership intent and our culture statements, which set high level expectations. These concise statements capture the essence of what we are here to achieve and how. The Code of Conduct builds on these statements by providing specific guidance for how people need to operate on a day-to-day basis.

An updated Code of Conduct was approved by the Board in July 2018.

Procedures for shareholder and employee consultation and feedback

We have procedures for our Shareholder and Portfolio Ministers to provide recommendations, feedback or direction to the Board and senior management. The Portfolio Minister provides a statement of priorities for the Board which the Board considers in preparing the corporate plan.

Members of senior management meet with the Portfolio Minister regularly to discuss progress against corporate objectives and Shareholder Ministers are also invited to discuss corporate performance.

All Executive General Managers hold regular meetings to discuss issues with their staff. Any matters arising that require the Board's attention are reported by the Chief Executive Officer in his regular update, which is a standing agenda item for every scheduled Board meeting.

Compliments and complaints feedback system

We welcome feedback from stakeholders and have policies and procedures in place to guide staff on their responsibilities if a compliment or complaint is made.

We also provide advice to our customers and stakeholders on how to submit feedback and the procedures we follow if they choose to submit it.

Senior management reviews complaints to determine if there is cause to implement corrective or preventative action. Many compliments and complaints are dealt with within seven days.

During the year, we received 20 complaints and five compliments.

FY18 Complaints Register

Category of complaint	Complaints
Building and construction	9
General customer service	3
Marketing/sales	7
Environment	1
Community events/site visits	–
Total	20

FY18 Compliments Register

Category of compliment	Compliments
Building and construction	–
General customer service	1
Marketing/sales	2
Environment	–
Community events/site visits	2
Total	5

What Landcom is here to achieve

We create more affordable and sustainable communities

Our Ambition

Increase the supply and diversity of housing choices and increase opportunities for people to own their own home

Our Vision

Deliver city shaping projects that are more affordable, vibrant, connected and sustainable places to live



Our Strategic Directions



Housing

Increase the affordability, supply and diversity of housing



Partnerships

Partner with others to unlock development opportunities and improve delivery



Leadership

Demonstrate excellence in sustainable development and planning practice

How our people make it happen

Our Culture



Embrace challenge to deliver outcomes



Excel through strong relationships



Bring an enterprising spirit

Our Code of Conduct

Act with honesty and integrity in everything we do.

Build relationships, treating all others with respect and dignity.

Ensure the safety and wellbeing of yourself and others.

Respect confidentiality and use information appropriately.

Use and manage public resources economically and efficiently.

Hold each other accountable to The Code of Conduct.

Executive positions

Total remuneration for senior executives is calculated as the sum of the 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. The Chief Executive Officer's performance is reviewed on a half-yearly basis by the Chair, who reports the outcome of her review to the People, Culture and Nominations Committee, and the Board.

The Chief Executive Officer reviews the performance of each of the Executive Committee on a half-yearly basis, with the findings from the annual review reported to the People, Culture and Nominations Committee.

16.7 percent of Landcom employee related expenditure in 2018 was related to senior executives, compared with 9.5 percent in 2017*.

Number of females and males in executive positions				
Band	2018		2017	
	Female	Male	Female	Male
Band 4 equivalent	0	1	0	1
Band 3 equivalent	0	4	3	3
Band 2 equivalent	3	0	0	0
Band 1 equivalent	1	0	0	0
Totals	4	5	3	4

Remuneration of executive positions			
Band Remuneration	Range \$	Average	
		2018 \$	2017* \$
Band 4 equivalent	463,551–535,550	600,531	500,000
Band 3 equivalent	328,901–463,550	420,063	397,304
Band 2 equivalent	261,451–328,900	308,035	0
Band 1 equivalent	183,300–261,450	213,000	0

* 2017 numbers reflect the UrbanGrowth NSW executive positions, prior to the restructure of the organisation.

Board Remuneration

Board	Salary \$	Audit and Risk Management Committee \$	Design Directorate \$	People, Culture and Nominations Committee \$	Super \$	Total \$
Suzanne Jones	60,341	4,828	–	2,890	6,466	74,525
John Brogden ¹	21,158	–	–	963	2,127	24,248
Jim Betts	0	–	–	–	–	0
Ken Maher ²	28,456	–	17,919	–	4,406	50,781
Gai McGrath ³	39,564	3,886	–	6,378	4,734	54,562
Karen Penrose ⁴	3,460	515	–	359	412	4,746
Matthew Quinn ⁵	32,869	4,618	–	3,527	3,896	44,910
John Barbeler	11,717	1,104	–	–	1,218	14,039
Peter Roberts	9,434	735	–	–	966	11,135

1 John Brogden was remunerated as the Chair of Landcom until October 2017 at which time he stepped down as Chair to assume the role as interim Chief Executive Officer of Landcom.

2 Ken Maher was a member of the Board from December 2014 to December 2017.

3 Gai McGrath was a member of the Board from June 2016 to June 2018.

4 Karen Penrose was a member of the Board from August 2014 to July 2017.

5 Matthew Quinn was a member of the Board from August 2013 to April 2018.

Miscellaneous activities

During FY18 our promotional activities increased awareness and encouraged public participation that informs our projects. Activities to encourage public participation included:

- Social media and website updates;
- Online newsletters;
- Advertising including print, online, outdoor and radio;
- Pop-up stalls at markets, shopping centres and railway stations;
- Direct emails;
- Letterbox drops and direct mail;
- Advertising in foreign language newspapers; and
- Engagement opportunities promoted at public and stakeholder meetings.

Promotion was also undertaken to support the sale of land, including:

- Maintaining, creating and enhancing websites advertising; and
- Fact sheets, information booklets and other print collateral.

Funds granted to non-government community organisations

The organisation has in place a corporate sponsorship policy and annual program of activities. However, there were no unconditional grants, gifts, donations made to organisations outside of the program.

Production cost of Annual Report

The FY18 Annual Report total cost of production is estimated at approximately \$18,000.

Consultancies

We spent \$1,289,131 in the reporting period on consultants. These engagements assisted us in decision making for our sustainability framework, risk management, WHS, business separation and corporate strategy. This figure excludes project related consultancies.

Overseas visits

No overseas visits by staff members occurred during the reporting period.

Disclosure of approved exemptions

Following corporatisation of Landcom on 1 January 2002, approval was granted for reporting exemptions relevant to this Annual Report (shown in the table below). The exemptions, some with conditions

attached, were approved by NSW Treasury to overcome concerns about the loss of commercial confidentiality for statutory State Owned Corporations.

Statutory requirements		
Annual reporting exemptions	Act/Regulation references	Comments
Budgets: <ul style="list-style-type: none"> Detailed budget for the year in review Outline budget for next year Particulars of material adjustments to detailed budget for the year in review 	s.7(1) (a) (iii) <i>Annual Reports (Statutory Bodies) Act 1984</i> cl. 7 <i>Annual Reports (Statutory Bodies) Regulation 2015</i>	–

Report of operations		
Annual reporting exemptions	Act/Regulation references	Comments
Summary review of operations: <ul style="list-style-type: none"> Narrative summary of significant operations Selected financial and other quantitative information associated with the administration of programs or operations 	Schedule 1 <i>Annual Reports (Statutory Bodies) Regulation 2015</i>	Exemption subject to a condition that comments and information relating to the 'summary review of operations' are to be disclosed in a summarised form.
Management and activities: <ul style="list-style-type: none"> Nature and range of activities Measures and indicators of performance Internal and external performance reviews Benefits from management and strategy reviews Management improvement plans and achievements Major problems and issues Major works in progress, cost to date, estimated dates of completion and cost overruns Reasons for significant delays etc to major works or programs 	Schedule 1 <i>Annual Reports (Statutory Bodies) Regulation 2015</i>	Exemption subject to a condition that comments and information relating to 'management and activities' are to be disclosed in a summarised form.
Research and development: <ul style="list-style-type: none"> Completed research including resources allocated Continuing research and development activities, including resources allocated unless that information could adversely affect operations 	–	–

Report of operations (continued)		
Annual reporting exemptions	Act/Regulation references	Comments
Human resources: <ul style="list-style-type: none"> • Number of employees by category and comparison to prior three years • Exceptional movements in employee wages, salaries or allowances • Personnel policies and practices • Industrial relations policies and practices 	Schedule 1 <i>Annual Reports (Statutory Bodies) Regulation 2015</i>	–
Consultants: <ul style="list-style-type: none"> • For each engagement costing more than \$50,000: <ul style="list-style-type: none"> • name of consultant • title of project • actual cost • For each engagement costing less than \$50,000: <ul style="list-style-type: none"> • total number of engagements • total cost • If applicable, a statement that no consultants were engaged 	Schedule 1 <i>Annual Reports (Statutory Bodies) Regulation 2015</i>	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.

Statutory Requirements		
Annual reporting exemptions	Act/Regulation references	Comments
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 <i>Government Information (Public Access) Act 2009</i> 	Schedule 1 <i>Annual Reports (Statutory Bodies) Regulation 2015</i>	–
Consumer responses: <ul style="list-style-type: none"> • Extent and main features of complaints • Services improved/changed in response to complaints/suggestions 	Schedule 1 <i>Annual Reports (Statutory Bodies) Regulation 2015</i>	Exemption subject to a condition 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 <i>Annual Reports (Statutory Bodies) Regulation 2015</i>	This exemption only applies to statutory state-owned corporations as they are not subject to the payment of accounts provisions in s.15 of the <i>Public Finance and Audit Regulation</i> .

Statutory Requirements (continued)		
Annual reporting exemptions	Act/Regulation references	Comments
Time for payment of accounts: <ul style="list-style-type: none"> • Reasons for late payment • Interest paid due to late payments 	Schedule 1 <i>Annual Reports (Statutory Bodies) Regulation 2015</i>	As above.
Report on risk management and insurance activities	Schedule 1 <i>Annual Reports (Statutory Bodies) Regulation 2015</i>	Exemption subject to a condition that the comments and information are to be disclosed in a summarised form.
Disclosure of controlled entities: <ul style="list-style-type: none"> • Details of names, objectives, operations, activities of controlled entities and measures of performance 	Schedule 1 <i>Annual Reports (Statutory Bodies) Regulation 2015</i>	Exemption subject to a condition that the names of the controlled entities be disclosed along with a summary of the controlled entities' objectives, operations, activities and measures of performance.
Investment performance	Schedule 1 <i>Annual Reports (Statutory Bodies) Regulation 2015</i>	–
Liability management performance	Schedule 1 <i>Annual Reports (Statutory Bodies) Regulation 2015</i>	–



Thornton, Penrith



INDEPENDENT AUDITOR'S REPORT

Landcom

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Landcom (the Corporation), which comprise the Statement of Comprehensive Income for the year ended 30 June 2018, the Statement of Financial Position as at 30 June 2018, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Corporation as at 30 June 2018, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.
- comply with the International Financial Reporting Standards as disclosed in Note 1.2 of the financial statements.

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

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Corporation in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

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

Director's Responsibilities for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the PF&A Act and the *State Owned Corporations Act 1989*, and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In Note 1.2 of the financial statements, the directors state, in accordance with Accounting Standard AASB 101 'Presentation of the financial statements', that the financial statements comply with International Financial Reporting Standards.

In preparing the financial statements, the directors are responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Corporation or to cease operations or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Corporation carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Weini Liao
Director, Financial Services

31 August 2018
SYDNEY

Landcom NSW

Directors' Declaration

Pursuant to Section 41C of the *Public Finance and Audit Act 1983*, we state that in the opinion of the Directors of Landcom NSW:

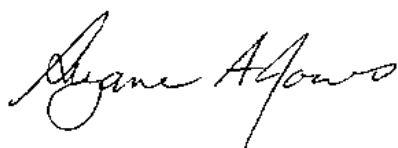
(a) The financial statements:

- (i) exhibit a true and fair view of the financial position of Landcom NSW as at 30 June 2018 and of its performance, as represented by the results of its operations and its cash flows for the year ended on that date;
- (ii) comply with Australian Accounting Standards, AASB Interpretations, the *State Owned Corporations Act 1989*, Treasurer's Directions mandated by the Treasurer, the *Public Finance and Audit Act 1983* and the *Public Finance and Audit Regulation 2015*.

(b) We are not aware of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

(c) At the date of this statement, 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:



Suzanne Jones
Chair



John Barbeler
Director

31 August 2018
Sydney

Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2018

	Notes	Continuing Operations \$'000		Discontinuing Operations \$'000		Total \$'000	
		2018	2017	2018	2017	2018	2017
Sales revenue	2(a)	774,992	726,006	–	–	774,992	726,006
Cost of sales		(488,391)	(438,989)	–	–	(488,391)	(438,989)
Gross Profit		286,601	287,017	–	–	286,601	287,017
Other revenue	2(b)	24,027	46,005	10,110	8,418	34,137	54,423
Finance income	2(c)	19,341	12,197	–	–	19,341	12,197
Marketing and selling expenses	3	(5,447)	(4,921)	–	–	(5,447)	(4,921)
Employee related expenses	4	(16,267)	(25,404)	–	–	(16,267)	(25,404)
Other expenses	5	(43,071)	(33,965)	(10,110)	(46,665)	(53,181)	(80,630)
Depreciation and amortisation expense	6	(916)	(1,864)	–	–	(916)	(1,864)
Finance costs	7	(8)	(558)	–	–	(8)	(558)
Profit/(loss) before income tax equivalent expense		264,260	278,507	–	(38,247)	264,260	240,260
Income tax equivalent expense	8	(79,278)	(83,553)	–	11,474	(79,278)	(72,079)
Net profit/(loss) for the year		184,982	194,954	–	(26,773)	184,982	168,181
Other comprehensive income							
Items that will not be reclassified to profit or loss							
Superannuation actuarial gain/(losses) on defined benefit plans	19	8,979	6,032	–	–	8,979	6,032
Income tax on items that will not be reclassified to profit or loss		(3,352)	(1,810)	–	–	(3,352)	(1,810)
Total items that will not be reclassified to profit or loss		5,627	4,222	–	–	5,627	4,222
Other comprehensive income for the year (net of tax)		5,627	4,222	–	–	5,627	4,222
Total comprehensive income/(loss) for the year		190,609	199,176	–	(26,773)	190,609	172,403

The above Statement of Comprehensive Income is to be read in conjunction with the attached notes to the financial statements.

Statement of Financial Position

AS AT 30 JUNE 2018

	Notes	2018 \$'000	2017 \$'000
Assets			
Current Assets			
Cash and cash equivalents	9	1,030,870	619,377
Trade and other receivables	10	29,788	19,422
Inventories held for distribution	11	–	2,367
Inventories	11	196,467	246,742
Other current assets	12	7,287	6,671
Total Current Assets		1,264,412	894,579
Non-Current Assets			
Trade and other receivables	10	6,886	12,491
Inventories	11	190,954	205,777
Property, plant and equipment	13	1,667	5,546
Intangible assets	14	3,533	1,508
Deferred tax assets	15	61,984	27,996
Total Non-Current Assets		265,024	253,318
TOTAL ASSETS		1,529,436	1,147,897
Liabilities			
Current Liabilities			
Trade and other payables	16	222,971	103,118
Current tax liabilities	17	63,987	19,805
Provisions held for distribution	18	–	1,224
Provisions	18	380,891	140,032
Total Current Liabilities		667,849	264,179
Non-Current Liabilities			
Trade and other payables	16	40	40,982
Provisions	18	66,719	35,857
Deferred tax liabilities	20	2,295	1,935
Total Non-Current Liabilities		69,054	78,774
TOTAL LIABILITIES		736,903	342,953
NET ASSETS		792,533	804,944
Equity			
Contributed capital		272,827	275,847
Retained earnings		519,706	529,097
TOTAL EQUITY		792,533	804,944

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

Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2018

	Notes	Continuing Operations \$'000		Discontinuing Operations \$'000		Total \$'000	
		2018	2017	2018	2017	2018	2017
Cash flows from operating activities							
Receipts from customers		855,216	805,654	10,110	8,047	865,326	813,701
Interest received		18,203	11,843	–	–	18,203	11,843
Payments to suppliers and employees		(386,490)	(476,550)	(10,110)	(35,617)	(396,600)	(512,167)
Income tax equivalent paid		(72,076)	(96,060)	–	–	(72,076)	(96,060)
Finance costs		(8)	(679)	–	–	(8)	(679)
Net cash flows generated from/ (utilised in) operating activities	22	414,845	244,208	–	(27,570)	414,845	216,638
Cash flows from investing activities							
Payments for property, plant and equipment and intangibles		(3,381)	(1,363)	–	–	(3,381)	(1,363)
Proceeds from sale of property, plant and equipment		29	107	–	–	29	107
Net cash flows used in investing activities		(3,352)	(1,256)	–	–	(3,352)	(1,256)
Cash flows from financing activities							
Repayment of borrowings		–	–	–	–	–	–
Dividends paid to NSW Treasury		–	–	–	–	–	–
Net cash flows used in financing activities		–	–	–	–	–	–
Net increase in cash and cash equivalents		411,493	242,952	–	(27,570)	411,493	215,382
Cash and cash equivalents at the beginning of the year		619,377	403,995	–	–	619,377	403,995
Cash and cash equivalents at the end of the year	9	1,030,870	646,947	–	(27,570)	1,030,870	619,377

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

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2018

	Notes	Contributed capital \$'000	Retained earnings \$'000	Total equity \$'000
Balance as at 1 July 2017		275,847	529,097	804,944
Profit for the year ended 30 June 2018		–	184,982	184,982
Other comprehensive income				
Superannuation actuarial gain/(losses) on defined benefit plans		–	8,979	8,979
Income tax relating to components of other comprehensive income		–	(3,352)	(3,352)
Total other comprehensive income		–	5,627	5,627
Total comprehensive income for the year		–	190,609	190,609
Transactions with owners in their capacity as owners				
Dividends to Treasury		–	(200,000)	(200,000)
Increase/(decrease) in net assets from equity transfers	28	(3,020)	–	(3,020)
Total transactions with owners in their capacity as owners		(3,020)	(200,000)	(203,020)
Balance as at 30 June 2018		272,827	519,706	792,533
Balance as at 1 July 2016		275,847	356,694	632,541
Profit for the year ended 30 June 2017		–	168,181	168,181
Other comprehensive income				
Superannuation actuarial gain/(losses) on defined benefit plans		–	6,032	6,032
Income tax relating to components of other comprehensive income		–	(1,810)	(1,810)
Total other comprehensive income		–	4,222	4,222
Total comprehensive income for the year		–	172,403	172,403
Balance as at 30 June 2017		275,847	529,097	804,944

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

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

Reporting Entity

Landcom is a NSW statutory State Owned Corporation established on 1 January 2002 by the *Landcom Corporation Act 2001* owned by the NSW Government. The Corporation operates under the commercial disciplines of the NSW Government's Commercial Policy Framework and is a for-profit entity for financial reporting purposes.

Landcom works with the NSW Government to improve the supply, diversity and affordability of housing across the state. Landcom is focused on supporting this government priority and delivering the local infrastructure to help communities grow and thrive.

Landcom unlocks surplus or underutilised government-owned sites or large institutional land holdings to create vibrant urban places with housing choices, community facilities, open spaces and access to services. Landcom has a long history of building award-winning sustainable urban developments and delivering civic projects that add economic and social value to the state.

Landcom brings expertise to masterplanning strategic and complex residential projects on vacant or established sites. Landcom operates across Greater Sydney and regional areas as directed by the NSW Government.

Landcom also provides management services to other government agencies.

The financial statements for the year ended 30 June 2018 have been authorised for issue by the Board on 31 August 2018.

1 Summary of Significant Accounting Policies

1.1 Basis of Preparation

These financial statements have been prepared in accordance with:

- the *State Owned Corporations Act 1989*;
- compliance with mandated Treasurer's Directions;
- applicable Australian Accounting Standards (which include Australian Accounting Interpretations); and
- the requirements of the *Public Finance and Audit Act 1983* and *Public Finance and Audit Regulation 2015*.

Property, plant and equipment is measured at fair value and inventory at the lower of cost and net realisable value. Other financial statements items are prepared in accordance with the historical cost convention. Borrowings are stated at amortised cost and provisions expected to be settled after more than 12 months after reporting date are stated at present value.

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

All amounts are rounded to the nearest one thousand dollars and expressed in Australian currency.

1.2 Statement of Compliance

The financial statements and notes comply with Australian Accounting Standards (including Australian Accounting Interpretations). Compliance with Australian Accounting Standards ensures that the financial statements and notes of Landcom comply with International Financial Reporting Standards (IFRS).

The accounting policies have been consistently applied, unless stated otherwise.

1.3 Revenue Recognition

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

- i. Sales revenue comprises income from the sale of land owned by Landcom and income from management of the sale of land not owned by Landcom. Sales revenue is recognised when the significant risks and rewards of ownership of the land have passed to the buyer usually on settlement and can be reliably measured.
- ii. Interest income is recognised as the interest accrues, using the effective interest rate method.
- iii. Management fees are recognised when 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 recognised when there is a right to be compensated for services rendered and it is probable that economic benefits will result and the revenue can be reliably measured.

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

1 Summary of Significant Accounting Policies (continued)

1.4 Expenditure Recognition

Operating expenses are expensed in the year in which they are incurred.

1.5 Employee Benefits

All liabilities for employee benefits are fully provided for in accordance with AASB 119 Employee Benefits. Employee benefits applicable to Landcom are shown below.

Salaries and annual leave

Liabilities for salaries and annual leave (including non-monetary benefits) that are due to be settled within 12 months after the end of the period in which the employee renders the service 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. Employees are expected to settle annual leave within twelve months and as such, no present value measurement is required.

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 at present value in accordance with AASB 119 Employee Benefits for all employees with five or more years of service. Consideration is given to certain factors based on actuarial review every three years, including expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using Commonwealth government bond rate at the reporting date. A shorthand approach is adopted to update for the following two years. This is in accordance with TC15/09 Accounting for Long Service Leave and Annual Leave.

Superannuation

Mercer Administration advises Landcom of the level of liability for Landcom's defined benefit 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 in June of each year. The main drivers of the actuarial calculations are the level of investment return, salary inflation and CPI increases.

Landcom has an obligation for the defined 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).

Amounts representing prepaid superannuation contributions are recognised as an asset. Amounts representing unfunded superannuation are recognised as a liability. The assets and liabilities are not netted off in the financial statements. Actuarial gains and losses are recognised immediately as other Comprehensive Income/ outside profit or loss in the year in which they occur. Landcom contributes defined contribution to the First State Superannuation Scheme, a defined contribution scheme, as well as other private schemes to a lesser extent.

Termination payments

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits.

Termination benefits are recognised at the earlier of the following dates:

- (a) when Landcom can no longer withdraw the offer of those benefits; and
- (b) when Landcom recognises costs for a restructuring that is within the scope of AASB 137 and involves the payment of terminations benefits.

In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value liability.

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

1 Summary of Significant Accounting Policies (continued)

Payroll on-costs

The outstanding amounts of payroll tax, workers' compensation, insurance premiums and fringe benefits tax, which are consequential to employment, are recognised as liabilities and expenses where the employee benefits to which they relate to have been recognised.

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 2018. No major claims exist under these policies at 30 June 2018.

1.7 Leases

Operating lease payments, where the lessor effectively retains substantially all of the risks and benefits of ownership of leased items, are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The cost of improvement to or on leasehold property is capitalised and disclosed as leasehold improvements.

Lease incentives under a non-cancellable operating lease, like a rent-free period, is recognised as an asset as a lessor (leasehold right) and as a liability as a lessee (lease incentive). Leasehold right (asset) is amortised to rental expense on a straight-line basis over the term of the lease. Lease incentive (liability) is reduced by allocating lease rental payments between rental expenses and reduction of the liability at the beginning of the lease payment period until the end of the lease term.

Landcom has operating leases in place in respect of its premises in Parramatta and sales offices at various locations within New South Wales. There are no contingent rentals payable in respect of these leases and the terms of renewal are between one month and five years after lease terms expire.

1.8 Capitalisation of Expenses — Development Costs and Cost of Sales

Landcom charges all direct expenditure on development works to relevant projects. Other administrative overhead is initially charged to and disclosed in the Statement of Comprehensive Income when it is incurred.

Some salary charges and related expenses are subsequently capitalised to projects together with other administrative overheads. Employee expenses incurred in respect of development and sales activities are capitalised to inventory when incurred.

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 relevant Commonwealth tax legislation as the basis for determining taxation liability. Tax effect accounting has also been adopted from 1 July 2003.

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the year. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior years is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for all temporary differences. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the Statement of Financial Position. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

1 Summary of Significant Accounting Policies (continued)

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the year

Current and deferred tax is recognised as an expense or income in the Statement of Comprehensive Income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity. All deferred tax assets/liabilities are classified as non-current in the Statement of Financial Position as these are expected to be settled after more than 12 months.

1.10 Dividends to the NSW Treasury

Landcom recognises dividends in accordance with the Financial Distribution Policy for Government Business TPP16-04 and Section 20S of *State Owned Corporations Act 1989*. The Shareholding Ministers have accepted the dividend recommendation for the 2017–18 financial year of \$200.0 million.

1.11 Goods and Services Tax

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

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

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

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

1.12 Cash and Cash Equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value.

1.13 Trade and Other Receivables

Trade and other 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 Statement of Comprehensive Income when impaired, derecognised, or through the amortisation process.

Short-term receivables with no stated interest rate are measured at transaction cost or face value.

Interest is charged on overdue settlement monies where agreed settlement dates are not met. The rate of interest applied varied during the year and is currently 10.71%. Sales are made on varying terms, but generally on a 28-day exchange and 21-day settlement basis.

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

1 Summary of Significant Accounting Policies (continued)

1.14 Other Current Assets

Other current assets represent prepayment of expenditure which is recognised on a cost basis. These amounts are recognised in the Statement of Comprehensive Income on a straight-line basis except where another systematic basis is more representative of the time pattern in which economic benefits from the prepayments are consumed.

1.15 Inventories — Land Classification

Inventories comprise undeveloped land, work in progress and developed land. Undeveloped land with medium to long-term development potential is classified as a non-current asset. Land is classified as work in progress while it is under development, that is, from the time contracts are signed for work to proceed.

Developed land is land which has been subdivided and registered on completion of all development activity. Developed land and work in progress that are expected to be sold within the next 12 months are classified as current and the balance is classified as non-current. As the process of development progresses, land projects are reclassified from undeveloped land to work in progress, then, on completion, to developed land for sale.

Landcom expenses costs associated with pursuing development opportunities and capitalise these cost when appropriate approvals are obtained. Where there is a likelihood that the project will not progress then capitalised costs are written off and recognised as an expense in the Statement of Comprehensive Income.

1.16 Inventories — Land Valuation

All land is valued at the lower of cost or 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.

Landcom reviews its inventory balances periodically and writes off inventory where the net realisable value is less than the carrying amount in the accounts based on the latest forecast. When the circumstances that previously caused inventories to be written down below cost no longer exist due to change in economic circumstances, the amount of the write back is credited in the Statement of Comprehensive Income limited to the amount of the original write-down so that the new carrying amount is the lower of the cost and the revised net realisable value.

1.17 Leasehold Improvements

Leasehold improvements are valued at cost and amortised on a straight line basis over the unexpired period of the lease term or the assets useful life, whichever is shorter.

1.18 Property, 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 and impairment. 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 2018 approximates fair value.

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 20 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.

1.19 Intangible Assets

Landcom recognises intangible assets only if it is probable that future economic benefits will flow to the entity and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition. Subsequently, as there is no active market for Landcom's intangible assets, the assets are at cost less any accumulated amortisation and impairment losses where an indicator of impairment exists.

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

1 Summary of Significant Accounting Policies (continued)

The useful lives of intangible assets are assessed to be finite. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

All research costs are expensed. Development costs are only capitalised when certain criteria are met.

Computer software costs (licences) and website costs are treated as intangible assets. The useful lives of these intangible assets are estimated as finite and the straight line method over a period of four to five years is utilised.

1.20 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.

1.21 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.

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

Unearned income is reported as a current liability within trade and other payables in the Statement of Financial Position. The balance relates to advances received from project partners. Landcom is entitled to recognise revenue when the obligations under the project agreements are fulfilled.

1.22 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 using Commonwealth government bond rate.

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 settlement. If the effect of time value of money is material, provisions are discounted at Commonwealth government bond rate.

Provisions for make good of the leased premises is recognised as stated in the lease agreement. The payment may be payable at the end of lease term.

Provision for rebates is recognised when a lot is sold. As part of the conditions of sale, Landcom may be committed to make a payment to the purchaser provided certain design criteria are met and applied for within a specified period by the purchaser, usually between 12 to 24 months. This payment represents reimbursement for additional costs incurred by the purchaser in complying with the design criteria set by Landcom.

1.23 Joint Arrangements

Under AASB 11 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

Landcom has joint operations and therefore recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings.

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

1 Summary of Significant Accounting Policies (continued)

1.24 Assets and liabilities attributable to a disposal group held for distribution and discontinued operations

Assets and liabilities held for distribution are measured at the lower of the carrying amount and fair value less costs to distribute if their carrying amount will be recovered principally through a distribution to the shareholder instead of through use.

These assets and liabilities must be available for immediate distribution and the distribution must be highly probable.

Discontinued operations are excluded from the results of continuing operations and are presented as discontinued operations in the Statement of Comprehensive Income, details of discontinued operations are set out in Note 28.

1.25 Equity transfer

The transfer of net assets between entities is as a result of a shareholder decision. Consequently, the transfer is designated as a contribution by owners and recognised as an adjustment to "Contributed Capital". This treatment is consistent with AASB1004 and Australian Interpretation 1038 Contributions by Owners made to Wholly-Owned Public Sector Entities and in accordance with TPP 09-3 Accounting Policy: Contributions by owners made to wholly owned Public Sector Entities. These transfers are recognised at fair value, details of equity transfers are set out in Note 28.

1.26 Changes in accounting policy, including new or revised Australian Accounting Standards

Effective Accounting Standards/Interpretations issued but not yet effective

Landcom is required to adopt AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers from 1 January 2018 which means application in Landcom's 30 June 2019 financial statements. Landcom has assessed the estimated impact that the initial application of AASB 9 and AASB 15 will have on its financial statements. The actual impacts of adopting the standards may change because the new accounting policies are subject to change until Landcom presents its first financial statements that include the date of initial application.

(a) AASB 15 Revenue from Contracts

Landcom's income from the sale of land is currently recognised when the significant risks and rewards of ownership of the land have passed to the buyer which is usually on settlement. Under AASB 15, Landcom will continue to recognise revenue on settlement which is when the promised asset is transferred to the customer such that the customer controls the asset.

Management fees are currently recognised when services are rendered. Under AASB 15, management fees will be recognised over time as obligations under the contract are performed.

Based on its assessment, Landcom does not expect the application of AASB 15 to result in a significant impact to the financial statements. Landcom plans to adopt AASB 15 using the cumulative effect method, with the effect of initially applying this standard recognised at the date of initial application. As a result, Landcom will not apply the requirements of AASB 15 to the comparative period presented at 30 June 2019.

(b) AASB 9 Financial Instruments

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model and a substantially-changed approach to hedge accounting. These requirements improve and simplify the approach for classification and measurement of financial assets. Given Landcom's minimal financial assets, liabilities, impairments and nil hedges, it has been determined that the standard will have no material impact on Landcom.

(c) AASB 16 Leases

AASB 16 is effective for annual periods after 1 January 2019. AASB 16 effectively treats all leases as finance leases. Landcom has completed an initial assessment of the potential impact on its financial statements but has not yet completed its detailed assessment. The most significant impact identified is that Landcom will recognise new assets and liabilities for its operating leases of office and sales premises. In addition, the nature of expenses related to those leases will now change from a straight line operating lease expense to a depreciation charge for a right-of-use asset and interest expense on lease liabilities. At 30 June 2018,

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

1 Summary of Significant Accounting Policies (continued)

Landcom's future minimum lease payments under non-cancellable operating leases amount to \$2.829 million. The actual impact will depend on the composition of Landcom's lease portfolio at application date and the assessment of whether it will exercise any lease renewal options. Landcom plans to adopt the partial retrospective method, where the cumulative effect of initially applying AASB 16 is recognised on the initial application date. This means applying AASB 16 from 1 July 2019, with the effect recognised in opening accumulated funds. The comparatives (for the year ended 30 June 2019) will not be restated and therefore the 30 June 2018 and 2019 financial statements will not be impacted.

2(a) Sales Revenue

	2018 \$'000	2017 \$'000
Income from land sales	570,425	555,028
Income from managed land sales	204,567	170,978
	774,992	726,006

2(b) Other Revenue

	2018 \$'000	2017 \$'000
Management fees	17,728	48,496
Rental income	595	629
Holding cost recoveries	5,448	4,994
Other (refer Note 28 Discontinued Operations)	10,366	304
	34,137	54,423

2(c) Finance Income

	2018 \$'000	2017 \$'000
Interest from bank	18,203	11,479
Unwinding of the discount rate	1,035	354
Interest from late settlement	103	364
	19,341	12,197

3 Marketing and Selling Expenses

	2018 \$'000	2017 \$'000
Advertising	1,686	3,253
Sales contractors and commission	3,747	1,607
Other	14	61
	5,447	4,921

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

4 Employee Related Expenses

	2018 \$'000	2017 \$'000
Salaries and wages	23,627	35,916
Termination payments	62	1,183
Superannuation — defined benefit plans	932	1,064
Superannuation — defined contribution plans	2,414	3,327
Long service leave	195	345
Annual leave	2,194	3,066
Payroll tax and fringe benefits tax	1,919	2,527
Other employee related expenses	967	2,023
	32,310	49,451
Recovered from UrbanGrowth NSW Development Corporation	(3,839)	—
Transfer of capital costs to inventories	(12,204)	(24,047)
	16,267	25,404

5 Other Expenses

	2018 \$'000	2017 \$'000
Auditor's remuneration — audit of financial statements	231	226
Operating lease rental expense	2,584	3,906
General administrative costs	14,638	11,556
Council rates	858	1,615
Land tax	10,935	13,154
Write back inventory previously written off	(123)	(9,105)
Adjustment of inventory to net realisable value (refer Note 28 Discontinued Operations)	16,342	29,572
Expenses incurred on management fee revenue	14,321	25,807
Project establishment costs	464	11,612
Property and accommodation expenses	280	1,218
Consultancy Fees	1,289	408
(Profit)/loss on sale of property, plant and equipment	(14)	(61)
Intangible asset impairment	1,000	315
	62,805	90,223
Recovered from UrbanGrowth NSW Development Corporation	(1,999)	—
Transfer of capital costs to inventories	(7,625)	(9,593)
	53,181	80,630

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

6 Depreciation and Amortisation Expense

	2018 \$'000	2017 \$'000
Leasehold improvements	370	664
Plant and equipment	325	961
Intangible assets	200	216
Motor vehicles	21	23
	916	1,864

7 Finance Costs

	2018 \$'000	2017 \$'000
Interest	8	83
Unwinding of the discount rate	–	475
	8	558

8 Income Tax

	2018 \$'000	2017 \$'000
Income tax expense recognised in the Statement of Comprehensive Income		
The major components of income tax expense for the year ended 30 June 2018 and 2017 are:		
Current income tax charge	116,258	87,186
Deferred income tax		
Origination and reversal of temporary differences	(36,980)	(15,107)
Income tax expense reported in the Statement of Comprehensive Income	79,278	72,079
Deferred income tax (revenue)/expense included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets	(37,340)	(15,904)
(Decrease)/increase in deferred tax liabilities	360	797
	(36,980)	(15,107)
Income tax expense recognised directly in equity		
Deferred income tax related to items charged or credited directly to equity:		
Superannuation actuarial gain/(loss)	3,352	1,810
Income tax expense reported in equity	3,352	1,810
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 income tax	264,260	240,260
At the statutory income tax rate of 30% (2017: 30%)	79,278	72,078
Deductions not allowable for income tax purposes	–	1
Income tax expense reported in the Statement of Comprehensive Income	79,278	72,079

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

9 Cash and Cash Equivalents

	2018 \$'000	2017 \$'000
Cash at bank and on hand	1,030,870	569,377
Short term deposits	–	50,000
	1,030,870	619,377

Included in the cash and cash equivalents is restricted cash of \$48.893 million (2017 \$23.739 million). These funds are related to cash held on behalf of project partners.

10 Trade and Other Receivables

	2018 \$'000	2017 \$'000
Current		
Trade receivables	27,763	15,866
Development bonds	923	972
Loan receivables	500	–
Other receivables	602	2,584
	29,788	19,422
Non-current		
Trade receivables	6,886	12,018
Loan receivables	–	473
	6,886	12,491

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired, are disclosed in Note 23.

The non-current trade receivable represents proceeds for projects \$6.886 million (2017: \$12.018 million).

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

11 Inventories

	2018 \$'000	2017 \$'000
Current		
Inventories held for distribution (refer Note 28)	–	2,367
Work in progress	75,154	217,463
Developed land	121,313	29,279
	196,467	249,109
Non-current		
Work in progress	190,954	205,777
	190,954	205,777
Total	387,421	454,886
Details of inventories:		
Acquisition costs	109,524	146,954
Development costs	252,244	283,879
Other costs	25,653	24,053
	387,421	454,886

12 Other

	2018 \$'000	2017 \$'000
Current		
Prepayments	7,287	6,671
	7,287	6,671

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

13 Property, Plant and Equipment

	2018 \$'000	2017 \$'000
Leasehold improvements		
At gross carrying amount	2,241	3,727
Accumulated depreciation	(1,751)	(1,854)
Net carrying amount	490	1,873
Motor vehicles		
At gross carrying amount	150	183
Accumulated depreciation	(68)	(94)
Net carrying amount	82	89
Plant and equipment		
At gross carrying amount	2,894	5,958
Accumulated depreciation	(1,799)	(2,374)
Net carrying amount	1,095	3,584
Total net carrying amount	1,667	5,546

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:

	Leasehold improvements \$'000	Motor vehicles \$'000	Plant and equipment \$'000	Total \$'000
2018				
Net carrying amount at beginning of year	1,873	89	3,584	5,546
Additions	1	28	127	156
Disposals	–	(14)	–	(14)
Equity transfer	(1,014)	–	(2,291)	(3,305)
Depreciation expense	(370)	(21)	(325)	(716)
Net carrying amount at the end of the year	490	82	1,095	1,667
2017				
Net carrying amount at beginning of year	5,175	112	1,851	7,138
Additions	–	–	102	102
Disposals	–	–	(46)	(46)
Reclassification	(2,638)	–	2,638	–
Depreciation expense	(664)	(23)	(961)	(1,648)
Net carrying amount at the end of the year	1,873	89	3,584	5,546

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

14 Intangible Assets

	2018 \$'000	2017 \$'000
Computer software and website		
Gross carrying amount		
Carrying amount at beginning of the year	5,756	4,810
Additions	3,225	1,261
Impairment of intangible assets	(1,000)	(315)
Carrying amount at end of the year	7,981	5,756
Accumulated amortisation and impairment		
Carrying amount at beginning of the year	(4,248)	(4,032)
Amortisation expense	(200)	(216)
Carrying amount at end of the year	(4,448)	(4,248)
Net carrying amount at end of the year	3,533	1,508

15 Deferred Tax Assets

The balance comprises temporary differences attributable to:

	2018 \$'000	2017 \$'000
Depreciation and amortisation	541	663
Provisions	60,587	27,110
Sundry	770	3
Fair value adjustments	86	220
	61,984	27,996
Movements		
Carrying amount at beginning of the year	27,996	13,902
Credited/(charge) to the Statement of Comprehensive Income	37,340	15,904
Credited/(charge) to equity	(3,352)	(1,810)
Carrying amount at end of the year	61,984	27,996

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

16 Trade and Other Payables

	2018 \$'000	2017 \$'000
Current		
Trade payables	29,510	17,334
Unearned income	25,586	19,008
Bonds and deposits held	55,195	18,424
Accrued expenses	111,728	46,345
Retentions	952	2,007
	222,971	103,118
Non-current		
Bonds and deposits held	–	40,705
Accrued expenses	40	277
	40	40,982

17 Current Tax Liabilities/(Asset)

	2018 \$'000	2017 \$'000
Carrying amount at beginning of the year	19,805	28,679
Income tax expense	79,278	72,079
Movement in deferred tax assets/(liabilities)	36,980	15,107
Tax payment	(72,076)	(96,060)
Carrying amount at end of the year	63,987	19,805

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

18 Provisions

	2018 \$'000	2017 \$'000
(a) Employee benefits — current		
Provision for annual leave held for distribution (refer Note 28)	–	491
Provision for annual leave	1,432	1,702
Provision for long service leave held for distribution (refer Note 28)	–	733
Provision for long service leave		
Expected to be settled within 12 months	397	740
Expected to be settled after 12 months	4,562	4,353
Provision for on-costs	1,244	1,261
Other	940	–
	8,575	9,280
(b) Employee benefits — non-current		
Provision for superannuation liability (refer Note 19)	13,412	22,983
Provision for long service leave	431	506
Provision for on-costs	69	75
	13,912	23,564
Total employee benefits	22,487	32,844
(c) Other provisions — current		
Provision to complete projects	171,087	130,163
Provision for rebates	1,229	1,813
Provision for dividend to NSW Treasury	200,000	–
	372,316	131,976
The dividend payable on profit after tax is \$200.0 million (2017: Nil).		
(d) Other provisions — non-current		
Provision to complete projects	51,505	9,610
Provision for rebates	779	1,658
Provision for other	524	1,025
	52,807	12,293
Total current and non-current provisions		
Current employee benefits	8,575	9,280
Current other provisions	372,316	131,976
Total current provisions	380,891	141,256
Non-current employee benefits	13,912	23,564
Non-current other provisions	52,807	12,293
Total non-current provisions	66,719	35,857
	447,610	177,113

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

18 Provisions (continued)

Reconciliations of the carrying amount of other provision are set out below:

	Provision for rebates \$'000	Provision to complete projects \$'000	Provision for dividend \$'000	Provision for other \$'000	Total \$'000
30 June 2018					
Carrying amount at beginning of the year	3,471	139,773	–	1,025	144,269
Additional provisions recognised	284	229,486	200,000	–	429,770
Reductions in provisions	(1,747)	(146,668)	–	(45)	(148,460)
Transfer through administrative restructure	–	–	–	(456)	(456)
Carrying amount at end of the year	2,008	222,591	200,000	524	425,123

19 Superannuation

Fund information

The Pooled Fund holds in trust the investments of the closed NSW public sector superannuation schemes:

- State Authorities Superannuation Scheme (SASS)
- State Authorities Non-contributory Superannuation Scheme (SANCS)
- State Superannuation Scheme (SSS)

These schemes are all defined benefit schemes — at least a component of the final benefit is derived from a multiple of member salary and years of membership. Members receive lump sum or pension benefits on retirement, death, disablement and withdrawal.

All the Schemes are closed to new members.

The schemes in the Pooled Fund are established and governed by the following NSW legislation: *Superannuation Act 1916*, *State Authorities Superannuation Act 1987*, *State Authorities Non-Contributory Superannuation Scheme Act 1987*, and their associated regulations.

The schemes in the Pooled Fund are exempt public sector superannuation schemes under the *Commonwealth Superannuation Industry (Supervision) Act 1993* (SIS). The SIS Legislation treats exempt public sector superannuation funds as complying funds for concessional taxation and superannuation guarantee purposes.

Under a Heads of Government agreement, the New South Wales Government undertakes to ensure that the Pooled Fund will conform with the principles of the Commonwealth's retirement incomes policy relating to preservation, vesting and reporting to members and that members' benefits are adequately protected.

The New South Wales Government prudentially monitors and audits the Pooled Fund and the Trustee Board activities in a manner consistent with the prudential controls of the SIS legislation.

These provisions are in addition to other legislative obligations on the Trustee Board and internal processes that monitor the Trustee Board's adherence to the principles of the Commonwealth's retirement incomes policy.

The New South Wales Government prudentially monitors and audits the Pooled Fund and the Trustee Board activities in a manner consistent with the prudential controls of the SIS legislation. These provisions are in addition to other legislative obligations on the Trustee Board and internal processes that monitor the Trustee Board's adherence to the principles of the Commonwealth's retirement incomes policy.

An actuarial investigation of the Pooled Fund is performed every three years. The most recent investigation was performed as at 30 June 2015. The actuary has commenced work on the 30 June 2018 investigation. Once completed, the report will be available on the Fund's website.

The Fund's Trustee is responsible for the governance of the Fund. The Trustee has a legal obligation to act solely in the best interests of fund beneficiaries. The Trustee has the following roles:

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

19 Superannuation (continued)

- Administration of the fund and payment to the beneficiaries from fund assets when required in accordance with the fund;
- Management and investment of the fund assets; and
- Compliance with other applicable regulations.

There are a number of risks to which the Fund exposes the Employer. The more significant risks relating to the defined benefits are:

- Investment risk — The risk that investment returns will be lower than assumed and the Employer will need to increase contributions to offset this shortfall;
- Longevity risk — The risk that pensioners live longer than assumed, increasing future pensions;
- Pension indexation risk — The risk that pensions will increase at a rate greater than assumed, increasing future pensions;
- Salary growth risk — The risk that wages or salaries (on which future benefit amounts for active members will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions; and
- Legislative risk — The risk is that legislative changes could be made which increase the cost of providing the defined benefits.

The defined benefit fund assets are invested with independent fund managers and have a diversified asset mix. The Fund has no significant concentration of investment risk or liquidity risk. There were no fund amendments, curtailments or settlements during the year.

Superannuation position as at 30 June 2018

	SASS 2018	SANCS 2018	SSS 2018	Total 2018
Member numbers				
Contributors	5	7	2	14
Deferred benefits	–	–	–	–
Pensioners	–	–	17	17
Pensions fully commuted	–	–	2	2
Superannuation position for AASB 119 purposes	\$'000	\$'000	\$'000	\$'000
Accrued liability (Note 1)	4,533	762	29,043	34,338
Estimated reserve account balance	(1,676)	(190)	(19,145)	(21,011)
1. Deficit/(surplus)	2,857	572	9,898	13,327
2. Future Service Liability (Note 2)	94	115	71	280
3. Surplus in excess of recovery available from schemes (– 1. – 2. and subject to a minimum of zero)	–	–	–	–
4. Net (asset)/liability to be recognised in Statement of Financial Position (1. + 3.)	2,857	572	9,898	13,327

Note 1 The accrued liability includes a contribution tax provision. This is calculated based on grossing up the deficit/ (surplus) less the allowance for past service expenses and insurable death and disability liabilities at a contribution tax rate of 15%.

Note 2 The Future Service Liability (FSL) does not have to be recognised by an employer. It is only used to determine if an asset ceiling limit should be imposed (AASB 119 para 64). Under AASB 119, any prepaid superannuation asset recognised cannot exceed the present value of any economic benefits that may be available in the form of refunds from the plan or reductions in future contributions to the plan. Where the “surplus in excess of recovery” is zero, no asset ceiling limit is imposed. (Note: this also includes a contribution tax provision).

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

19 Superannuation (continued)

Reconciliation of the Net Defined Benefit Liability/(Asset)

	SASS 2018 \$'000	SANCS 2018 \$'000	SSS 2018 \$'000	Total 2018 \$'000
Net Defined Benefit Liability/(Asset) at start of year	4,049	768	18,165	22,982
Current service cost	212	50	80	342
Net Interest on the net defined benefit liability/(asset)	97	19	474	590
Actual return on Fund assets less Interest income	(169)	(18)	(1,076)	(1,263)
Actuarial (gains)/losses arising from changes in demographic assumptions	(49)	(13)	107	45
Actuarial (gains)/losses arising from changes in financial assumptions	(258)	(53)	(7,504)	(7,815)
Actuarial (gains)/losses arising from liability experience	(355)	(63)	(206)	(624)
Employer contributions	(670)	(118)	(142)	(930)
Net Defined Benefit Liability/(Asset) on 30 June 2018	2,857	572	9,898	13,327

Reconciliation of the Fair Value of Fund Assets

	SASS 2018 \$'000	SANCS 2018 \$'000	SSS 2018 \$'000	Total 2018 \$'000
Fair value of Fund assets at beginning of the year	4,060	648	18,380	23,088
Interest income	105	15	469	589
Actual return on Fund assets less Interest income	169	18	1,076	1,263
Employer contributions	670	118	142	930
Contributions by participants	103	–	46	149
Benefits paid	(3,308)	(576)	(1,121)	(5,005)
Taxes, premiums and expenses paid	(123)	(33)	153	(3)
Fair value of Fund assets at 30 June 2018	1,676	190	19,145	21,011

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

19 Superannuation (continued)

Reconciliation of the Defined Benefit Obligation

	SASS 2018 \$'000	SANCS 2018 \$'000	SSS 2018 \$'000	Total 2018 \$'000
Present value of defined benefit obligations at beginning of the year	8,110	1,415	36,546	46,071
Current service cost	212	50	80	342
Interest cost	201	35	942	1,178
Contributions by participants	103	–	46	149
Actuarial (gains)/losses arising from changes in demographic assumptions	(49)	(13)	107	45
Actuarial (gains)/losses arising from changes in financial assumptions	(258)	(53)	(7,504)	(7,815)
Actuarial (gains)/losses arising from liability experience	(355)	(63)	(206)	(624)
Benefits paid	(3,308)	(576)	(1,121)	(5,005)
Taxes, premiums and expenses paid	(123)	(33)	153	(3)
Fair value of Fund assets at 30 June 2018	4,533	762	29,043	34,338

Fair value of Fund assets

All Pooled Fund assets are invested by SAS Trustee Corporation (STC) at arm's length through independent fund managers, assets are not separately invested for each entity and it is not possible or appropriate to disaggregate and attribute fund assets to individual entities. As such, the disclosures below relate to total assets of the Pooled Fund.

As at 30 June 18

Asset category	Total \$'000	Quoted prices in active markets for identical assets Level 1 \$'000	Significant observable inputs Level 2 \$'000	Unobservable inputs Level 3 \$'000
Short Term Securities	4,401	2,185	2,216	–
Australian Fixed Interest	2,235	42	2,193	–
International Fixed Interest	1,396	8	1,388	–
Australian Equities	9,271	8,719	549	3
International Equities	10,891	8,499	2,392	–
Property	3,711	788	609	2,314
Alternatives	9,896	422	5,332	4,142
Total	41,801	20,663	14,679	6,459

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

19 Superannuation (continued)

The percentage invested in each asset class at the date of the Statement of Financial Position:

	30 June 2018
Short Term Securities	10.5%
Australian Fixed Interest	5.3%
International Fixed Interest	3.3%
Australian Equities	22.2%
International Equities	26.1%
Property	8.9%
Alternatives	23.7%
Total	100.0%

Level 1 — quoted prices in active markets for identical assets or liabilities. The assets in this level are listed shares; listed unit trusts.

Level 2 — inputs other than quoted prices observable for the asset or liability either directly or indirectly. The assets in this level are cash; notes; government, semi-government and corporate bonds; unlisted trusts where quoted prices are available in active markets for identical assets or liabilities.

Level 3 — inputs for the asset or liability that are not based on observable market data. The assets in this level are unlisted property; unlisted shares; unlisted infrastructure; distressed debt; hedge funds.

Derivatives, including futures and options, can be used by investment managers. However, each manager's investment mandate clearly states that derivatives may only be used to facilitate efficient cash flow management or to hedge the portfolio against market movements and cannot be used for speculative purposes or gearing of the investment portfolio. As such managers make limited use of derivatives.

Fair value of entity's own financial instruments

The fair value of the Pooled Fund assets as at 30 June 2018 includes \$97.7 million in NSW government bonds.

Of the direct properties owned by the Pooled Fund:

- SAS Trustee Corporation occupies part of a property 100% owned by the Pooled Fund with a fair value of \$280 million (30 June 2017: \$250 million).
- Health Administration Corporation occupies part of a property 50% owned by the Pooled Fund with a fair value (100% interest) of \$287 million (30 June 2017: \$261 million).

Significant Actuarial Assumptions at the Reporting Date	2018
Discount rate	4.17% p.a.
Salary increase rate (excluding promotional increases)	2.7% p.a. for 2018/2019; 3.2% p.a. thereafter
Rate of CPI Increase	2.25% 2018/2019 and 2019/2020; 2.50% p.a. thereafter
Pensioner mortality	The pensioner mortality assumptions are those to be used for the 2018 actuarial investigation of the Pooled Fund. These assumptions will be disclosed in the actuarial investigation report which will be available on the Trustee's website when the investigation is complete. The report will show the pension mortality rates for each age. Alternatively, the assumptions are available on request from the Trustee.

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

19 Superannuation (continued)

Sensitivity Analysis

The entity's total defined benefit obligation as at 30 June 2018 under several scenarios is presented below. The total defined benefit obligation disclosed is inclusive of the contribution tax provision which is calculated based on the asset level at 30 June 2018.

Scenarios A to F relate to sensitivity of the total defined benefit obligation to economic assumptions, and scenarios G and H relate to sensitivity to demographic assumptions.

	Base Case	Scenario A –1% discount rate	Scenario B +1% discount rate
Discount rate	as above	as above –1.0% p.a.	as above +1.0% p.a.
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Defined benefit obligation \$'000	34,338	39,145	30,387

	Base Case	Scenario C +0.5% CPI increase	Scenario D –0.5% CPI decrease
Discount rate	as above	as above	as above
Rate of CPI increase	as above	above rates plus 0.5% p.a.	above rates less 0.5% p.a.
Salary inflation rate	as above	as above	as above
Defined benefit obligation \$'000	34,338	36,560	32,312

	Base Case	Scenario E +0.5% Salary increase	Scenario F –0.5% Salary decrease
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	above rates plus 0.5% p.a.	above rates less 0.5% p.a.
Defined benefit obligation \$'000	34,338	34,463	34,219

	Base Case	Scenario G +Lower mortality*	Scenario H Higher mortality**
Defined benefit obligation \$'000	34,338	34,787	34,039

* Assumes the short term pensioner mortality improvement factors for years 2018–2023 also apply for years after 2023.

** Assumes the long term pensioner mortality improvement factors for years post 2023 also apply for years 2018–2023.

The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other assumptions.

Asset–Liability matching strategies

The Trustee monitors its asset–liability risk continuously in setting its investment strategy. It also monitors cash flows to manage liquidity requirements. No explicit asset–liability matching strategy is used by the Trustee.

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

19 Superannuation (continued)

Funding arrangements

Funding arrangements are reviewed at least every three years following the release of the triennial actuarial review. Contribution rates are set after discussions between the employer, STC and NSW Treasury.

Funding positions are reviewed annually and funding arrangements may be adjusted as required after each annual review.

(a) Surplus/deficit

The following is a summary of the 30 June 2018 financial position of the Fund calculated in accordance with AASB 1056 Accounting Standard "Superannuation Entities":

	SASS 2018 \$'000	SANCS 2018 \$'000	SSS 2018 \$'000	Total 2018 \$'000
Accrued benefits*	3,834	633	18,216	22,683
Net market value of Fund assets	(1,676)	(190)	(19,145)	(21,011)
Net (surplus)/deficit	2,158	443	(929)	1,672

* There is no allowance for a contribution tax provision within the Accrued Benefits figure for AASB 1056. Allowance for contributions tax is made when setting the contribution rates.

(b) Contribution recommendations

Recommended contribution rates for the entity are not applicable.

(c) Economic assumptions

The economic assumptions adopted for the 30 June 2018 AASB 1056 Accounting Standard "Superannuation Entities" are:

Weighted-average assumptions	
Expected rate of return on Fund assets backing current pension liabilities	7.4% p.a.
Expected rate of return on Fund assets backing other liabilities	6.4% p.a.
Expected salary increase rate (SASS, SANCS, SSS)	2.7% for 2018/19 then 3.2% p.a. thereafter
Expected rate of CPI increase	2.2% p.a.

(d) Expected Contribution

	SASS 2019 \$'000	SANCS 2019 \$'000	SSS 2019 \$'000	Total 2019 \$'000
Expected employer contributions to be paid in the next reporting period	731	128	156	1,015

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation is 13 years.

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

19 Superannuation (continued)

Profit and Loss Impact

	SASS 2018 \$'000	SANCS 2018 \$'000	SSS 2018 \$'000	Total 2018 \$'000
Current service cost	212	50	80	342
Net interest	97	19	474	590
Defined benefit cost	309	69	554	932

Other Comprehensive Income

	SASS 2018 \$'000	SANCS 2018 \$'000	SSS 2018 \$'000	Total 2018 \$'000
Actuarial (gains) losses on liabilities	(662)	(129)	(7,603)	(8,394)
Actual return on Fund assets less Interest income	(169)	(18)	(1,076)	(1,263)
Adjustment for effect of asset ceiling	–	–	–	–
Transfers out of business recognised in contributed capital	553	125	–	678
Total re-measurement in Other Comprehensive Income	(278)	(22)	(8,679)	(8,979)

Superannuation position as at 30 June 2017

	SASS 2017	SANCS 2017	SSS 2017	Total 2017
Member numbers				
Contributors	9	12	3	24
Deferred benefits	–	–	–	–
Pensioners	–	–	16	16
Pensions fully commuted	–	–	2	2
Superannuation position for AASB 119 purposes	\$'000	\$'000	\$'000	\$'000
Accrued liability (Note 1)	8,110	1,415	36,546	46,071
Estimated reserve account balance	(4,060)	(648)	(18,380)	(23,088)
1. Deficit/(surplus)	4,050	767	18,166	22,983
2. Future Service Liability (Note 2)	753	394	161	1,308
3. Surplus in excess of recovery available from schemes (– 1. – 2. and subject to a minimum of zero)	–	–	–	–
4. Net (asset)/liability to be recognised in Statement of Financial Position (1. + 3.)	4,050	767	18,166	22,983

Note 1 The accrued liability includes a contribution tax provision. This is calculated based on grossing up the deficit/(surplus) less the allowance for past service expenses and insurable death and disability liabilities at a contribution tax rate of 15%.

Note 2 The Future Service Liability (FSL) does not have to be recognised by an employer. It is only used to determine if an asset ceiling limit should be imposed (AASB 119 para 64). Under AASB 119, any prepaid superannuation asset recognised cannot exceed the present value of any economic benefits that may be available in the form of refunds from the plan or reductions in future contributions to the plan. Where the "surplus in excess of recovery" is zero, no asset ceiling limit is imposed. (Note: this also includes a contribution tax provision).

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

19 Superannuation (continued)

Reconciliation of the Net Defined Benefit Liability/(Asset)

	SASS 2017 \$'000	SANCS 2017 \$'000	SSS 2017 \$'000	Total 2017 \$'000
Net Defined Benefit Liability/(Asset) at start of year	4,457	878	23,300	28,635
Current service cost	252	55	194	501
Net Interest on the net defined benefit liability/(asset)	84	17	462	563
Actual return on Fund assets less Interest income	(238)	(42)	(1,262)	(1,542)
Actuarial (gains)/losses arising from changes in demographic assumptions	(3)	(1)	11	7
Actuarial (gains)/losses arising from changes in financial assumptions	(303)	(70)	(4,077)	(4,450)
Actuarial (gains)/losses arising from liability experience	266	20	(333)	(47)
Adjustment for effect of asset ceiling	–	–	–	–
Employer contributions	(466)	(88)	(130)	(684)
Effects of transfers in/out due to business combinations and disposals	–	–	–	–
Net Defined Benefit Liability/(Asset) on 30 June 2017	4,049	769	18,165	22,983

Reconciliation of the Fair Value of Fund Assets

	SASS 2017 \$'000	SANCS 2017 \$'000	SSS 2017 \$'000	Total 2017 \$'000
Fair value of Fund assets at beginning of the year	3,235	586	17,555	21,376
Interest income	63	11	340	414
Actual return on Fund assets less Interest income	238	42	1,262	1,542
Employer contributions	466	88	130	684
Contributions by participants	101	–	58	159
Benefits paid	15	(78)	(1,110)	(1,173)
Taxes, premiums and expenses paid	(58)	(1)	145	86
Fair value of Fund assets at 30 June 2017	4,060	648	18,380	23,088

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

19 Superannuation (continued)

Reconciliation of the Defined Benefit Obligation

	SASS 2017 \$'000	SANCS 2017 \$'000	SSS 2017 \$'000	Total 2017 \$'000
Present value of defined benefit obligations at beginning of the year	7,692	1,463	40,856	50,011
Current service cost	252	55	194	501
Interest cost	148	27	802	977
Contributions by participants	101	–	58	159
Actuarial (gains)/losses arising from changes in demographic assumptions	(3)	(1)	11	7
Actuarial (gains)/losses arising from changes in financial assumptions	(303)	(70)	(4,077)	(4,450)
Actuarial (gains)/losses arising from liability experience	266	20	(333)	(47)
Benefits paid	15	(78)	(1,110)	(1,173)
Taxes, premiums and expenses paid	(58)	(1)	145	86
Fair value of Fund assets at 30 June 2017	8,110	1,415	36,546	46,071

Fair value of Fund assets

All Pooled Fund assets are invested by SAS Trustee Corporation (STC) at arm's length through independent fund managers, assets are not separately invested for each entity and it is not possible or appropriate to disaggregate and attribute fund assets to individual entities. As such, the disclosures below relate to total assets of the Pooled Fund.

As at 30 June 17

Asset category	Total \$'000	Quoted prices in active markets for identical assets Level 1 \$'000	Significant observable inputs Level 2 \$'000	Unobservable inputs Level 3 \$'000
Cash	3,087	3,077	10	–
Australian Fixed Interest	2,501	1	2,500	–
International Fixed Interest	481	–	481	–
Australian Equities	9,446	8,947	499	–
International Equities	12,054	9,033	1,869	1,151
Property	3,453	926	533	1,994
Alternatives	9,066	391	5,068	3,607
Total	40,088	22,375	10,960	6,752

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

19 Superannuation (continued)

The percentage invested in each asset class at the date of the Statement of Financial Position:

	30 June 2017
Cash	7.7%
Australian Fixed Interest	6.2%
International Fixed Interest	1.2%
Australian Equities	23.6%
International Equities	30.1%
Property	8.6%
Alternatives	22.6%
Total	100.0%

Level 1 — quoted prices in active markets for identical assets or liabilities. The assets in this level are listed shares; listed unit trusts.

Level 2 — inputs other than quoted prices observable for the asset or liability either directly or indirectly. The assets in this level are cash; notes; government, semi-government and corporate bonds; unlisted trusts where quoted prices are available in active markets for identical assets or liabilities.

Level 3 — inputs for the asset or liability that are not based on observable market data. The assets in this level are unlisted property; unlisted shares; unlisted infrastructure; distressed debt; hedge funds.

Derivatives, including futures and options, can be used by investment managers. However, each manager's investment mandate clearly states that derivatives may only be used to facilitate efficient cash flow management or to hedge the portfolio against market movements and cannot be used for speculative purposes or gearing of the investment portfolio. As such managers make limited use of derivatives.

Fair value of entity's own financial instruments

The fair value of the Pooled Fund assets as at 30 June 2017 include \$354.0 million in NSW government bonds.

Of the direct properties owned by the Pooled Fund:

- SAS Trustee Corporation occupies part of a property 100% owned by the Pooled Fund with a fair value of \$250 million (30 June 2016: \$222 million).
- Health Administration Corporation occupies part of a property 50% owned by the Pooled Fund with a fair value of \$261 million (30 June 2016: \$243 million).

Significant Actuarial Assumptions at the Reporting Date	2017
Discount rate	2.62% p.a.
Salary increase rate (excluding promotional increases)	2.50% 2017/2018 and 2018/2019; 3.50% 2019/2020 and 2020/2021; 3.00% p.a. 2021/2022 to 2025/2026; 3.50% p.a. thereafter
Rate of CPI Increase	2.00% 2017/2018; 2.25% 2018/2019; 2.50% p.a. thereafter
Pensioner mortality	as per the 2015 Actuarial Investigation of the Pooled Fund. These assumptions are disclosed in the actuarial investigation report available from the trustee's website. The report shows the pension mortality rates for each age.

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

19 Superannuation (continued)

Sensitivity Analysis

The entity's total defined benefit obligation as at 30 June 2017 under several scenarios is presented below. The total defined benefit obligation disclosed is inclusive of the contribution tax provision which is calculated based on the asset level at 30 June 2017.

Scenarios A to F relate to sensitivity of the total defined benefit obligation to economic assumptions, and scenarios G and H relate to sensitivity to demographic assumptions.

	Base Case	Scenario A –1% discount rate	Scenario B +1% discount rate
Discount rate	as above	as above –1.0% p.a.	as above +1.0% p.a.
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Defined benefit obligation \$'000	46,071	53,254	40,268

	Base Case	Scenario C +0.5% CPI increase	Scenario D –0.5% CPI decrease
Discount rate	as above	as above	as above
Rate of CPI increase	as above	above rates plus 0.5% p.a.	above rates less 0.5% p.a.
Salary inflation rate	as above	as above	as above
Defined benefit obligation \$'000	46,071	49,156	43,285

	Base Case	Scenario E +0.5% Salary increase	Scenario F –0.5% Salary decrease
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	above rates plus 0.5% p.a.	above rates less 0.5% p.a.
Defined benefit obligation \$'000	46,071	46,407	45,750

	Base Case	Scenario G +Lower mortality*	Scenario H Higher mortality**
Defined benefit obligation \$'000	46,071	46,869	45,631

* Assumes the short term pensioner mortality improvement factors for years 2017–2021 also apply for years after 2021.

** Assumes the long term pensioner mortality improvement factors for years post 2021 also apply for years 2017–2021.

The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other assumptions.

Asset–Liability matching strategies

The Trustee monitors its asset–liability risk continuously in setting its investment strategy. It also monitors cash flows to manage liquidity requirements. No explicit asset–liability matching strategy is used by the Trustee.

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

19 Superannuation (continued)

Funding arrangements

Funding arrangements are reviewed at least every three years following the release of the triennial actuarial review and was last reviewed following completion of the triennial review as at 30 June 2015. Contribution rates are set after discussions between the employer, STC and NSW Treasury.

Funding positions are reviewed annually and funding arrangements may be adjusted as required after each annual review.

(a) Surplus/deficit

The following is a summary of the 30 June 2017 financial position of the Fund calculated in accordance with AASB 1056 Accounting Standard "Superannuation Entities":

	SASS 2017 \$'000	SANCS 2017 \$'000	SSS 2017 \$'000	Total 2017 \$'000
Accrued benefits*	6,308	1,023	18,307	25,638
Net market value of Fund assets	(4,060)	(648)	(18,380)	(23,088)
Net (surplus)/deficit	2,248	375	(73)	2,550

* There is no allowance for a contribution tax provision within the Accrued Benefits figure for AASB 1056. Allowance for contributions tax is made when setting the contribution rates.

(b) Contribution recommendations

Recommended contribution rates for the entity are not applicable.

(c) Economic assumptions

The economic assumptions adopted for the 30 June 2017 AASB 1056 Accounting Standard "Superannuation Entities" are:

Weighted-average assumptions	
Expected rate of return on Fund assets backing current pension liabilities	7.4% p.a.
Expected rate of return on Fund assets backing other liabilities	6.4% p.a.
Expected salary increase rate (SASS, SANCS, SSS)	2.7% to 30 June 2019 then 3.2% p.a. thereafter
Expected rate of CPI increase	2.2% p.a.

(d) Expected Contribution

	SASS 2018 \$'000	SANCS 2018 \$'000	SSS 2018 \$'000	Total 2018 \$'000
Expected employer contributions to be paid in the next reporting period	731	128	155	1,014

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation is 14 years.

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

19 Superannuation (continued)

Profit and Loss Impact

	SASS 2017 \$'000	SANCS 2017 \$'000	SSS 2017 \$'000	Total 2017 \$'000
Current service cost	252	55	194	501
Net interest	84	17	462	563
Defined benefit cost	336	72	656	1,064

Other Comprehensive Income

	SASS 2017 \$'000	SANCS 2017 \$'000	SSS 2017 \$'000	Total 2017 \$'000
Actuarial (gains) losses on liabilities	(40)	(51)	(4,399)	(4,490)
Actual return on Fund assets less Interest income	(238)	(42)	(1,262)	(1,542)
Total re-measurement in Other Comprehensive Income	(278)	(93)	(5,661)	(6,032)

20 Deferred Tax Liabilities

The balance comprises temporary differences attributable to:

	2018 \$'000	2017 \$'000
Fair value adjustments	310	121
Depreciation and amortisation	5	85
Prepayments	1,979	1,729
	2,295	1,935
Movements		
Carrying amount at beginning of the year	1,935	1,138
Charge to the Statement of Comprehensive Income	360	797
Carrying amount at end of the year	2,295	1,935

21 Contributed capital

Contributed capital comprises capital and contributed assets acquired free of charge.

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

22 Reconciliation of Profit after income tax to net cash flows from operating activities

	2018 \$'000	2017 \$'000
Net cash flows generated from operating activities	414,845	216,638
Depreciation and amortisation	(916)	(1,864)
Gain/(loss) from sale of property, plant and equipment	14	(254)
Impairment of intangibles	(1,000)	–
Unwinding of discount rate income and expense	1,035	(121)
Change in assets and liabilities		
Decrease/(increase) in provisions	(82,128)	1,237
Decrease/(increase) in payables and tax liabilities	(123,452)	37,292
Increase/(decrease) in receivables	3,726	6,899
Increase/(decrease) in inventory and other assets	(27,142)	(91,646)
Net Profit for the year	184,982	168,181

23 Financial Instruments

Landcom's principal financial instruments and risks are outlined below together with its processes for managing risk. These financial instruments arise directly from its operations. It does not enter into or trade in financial instruments including derivative financial instruments for speculative purposes.

The Board has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by Landcom to set the risk limits and controls and to monitor risks. The Audit and Risk Management Committee has responsibility for overseeing monitoring of compliance with policies.

Financial instrument categories

	Notes	Category	Carrying amount 2018 \$'000	Carrying amount 2017 \$'000
Financial assets				
Class				
Cash and cash equivalents	9	N/A	1,030,870	619,377
Trade and other receivables	10	Loans and receivables (at amortised cost)	36,674	31,458
Financial liabilities				
Class				
Trade and other payables	16	Financial liabilities measured at amortised cost	120,240	65,964

Note: This analysis excludes statutory receivables and payables, prepayments and unearned revenue as these are not within the scope of AASB 7 Financial Instruments: Disclosure.

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

23 Financial Instruments (continued)

(a) Credit risk

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

There is no significant concentration of credit risk arising in respect of receivables. Landcom is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. There are no debtors which are currently not past due or impaired whose terms have been renegotiated.

Cash comprises cash on hand and at the bank. Interest is earned on daily bank balances.

All trade debtors are recognised as amounts receivable at reporting date and are reviewed regularly for collectability on an ongoing basis. No interest is earned on trade debtors.

The only financial assets that are past due or impaired are in the 'receivables' category of the Statement of Financial Position.

	Total \$'000	Past due but not impaired \$'000	Considered Impaired \$'000
For the year ended 30 June 2018			
< 3 months overdue	1,004	1,004	–
3 months to 6 months overdue	84	84	–
> 6 months overdue	–	–	–
For the year ended 30 June 2017			
< 3 months overdue	98	98	–
3 months to 6 months overdue	10	10	–
> 6 months overdue	1,607	1,607	–

Note: This analysis excludes statutory receivables, as these are not within the scope of AASB 7 Financial Instruments: Disclosure.

Landcom has given TCorp letters of undertaking to various councils/government agencies that certain infrastructure works will be carried out. The maximum exposure to credit risk of these TCorp letters of undertaking is \$40.113 million (2017: \$49.717 million).

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

23 Financial Instruments (continued)

(b) Liquidity risk

Liquidity risk arises if Landcom is unable to meet its payment obligations when they fall due. During the current and prior years there were no defaults or breaches on any loans payable or borrowings. No asset has been pledged as collateral. Landcom has undrawn facilities sufficient to meet obligations as and when they fall due. Exposure to liquidity risk is deemed insignificant.

The table below summarises the maturity profile of Landcom's financial liabilities and interest rate exposure.

Maturity analysis and interest rate exposure of financial liabilities

	Interest rate exposure					Maturity dates		
	Weighted average effective interest rate	Nominal amount \$'000	Fixed interest rate \$'000	Variable interest rate \$'000	Non interest bearing \$'000	< 1 Year \$'000	1-5 Years \$'000	> 5 Years \$'000
2018								
Payables	–	120,240	–	–	120,240	120,200	40	–
	–	120,240	–	–	120,240	120,200	40	–
2017								
Payables	–	65,963	–	–	65,963	65,687	277	–
	–	65,963	–	–	65,963	65,687	277	–

Note: The nominal amounts disclosed are the contractual undiscounted cash flows of each class of financial liability. Therefore the amounts disclosed will not reconcile to the Statement of Financial Position. This analysis also excludes statutory payables, as these are not within the scope of AASB 7 Financial Instruments: Disclosure.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

Landcom does not have any investments nor is there any exposure to foreign currency or commodity contracts.

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

23 Financial Instruments (continued)

(d) 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. When Landcom has debt it is managed by TCorp, the appointed debt management contractor.

Exposure to interest rate risk arises primarily through Landcom's interest bearing liabilities, cash and investments. Landcom does not account for any fixed rate financial instruments at fair value through profit or loss or as available for sale.

The following table provides the sensitivity analysis of interest rate risk affecting financial assets and liabilities on the operating result and equity of Landcom. A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates. Landcom's exposure to interest rate risk is set out below.

	Carrying amount \$'000	Profit -1% \$'000	Equity -1% \$'000	Profit +1% \$'000	Equity +1% \$'000
2018					
Financial assets					
Cash and cash equivalents	1,030,870	(10,309)	(7,216)	10,309	7,216
2017					
Financial assets					
Cash and cash equivalents	619,377	(6,194)	(4,336)	6,194	4,336

(e) Net fair value

All financial instruments are carried at net fair value, unless stated otherwise. The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

24 Expenditure Commitments

	2018 \$'000	2017 \$'000
Operating lease commitments		
Future non-cancellable operating lease rentals not provided for and payable:		
Not later than one year	2,493	3,541
Later than one year but not later than five years	336	6,037
Later than five years	—	—
Total operating lease commitments (including GST)	2,829	9,578

25 Contingent Assets and Liabilities

Landcom may be liable to pay compensation for loss incurred by a land purchaser of up to \$2.25 million. The likelihood of the purchasers lodging a claim is very low.

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

26 Related Party Transactions

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.

Compensation paid to the key management personnel of Landcom was \$2.711 million (2017: \$4.872 million).

	2018 \$'000	2017 \$'000
Short term employee benefits	2,375	3,980
Post-employment benefits	147	249
Other long term benefits	8	7
Termination benefits	181	636
Total compensation paid to key management personnel	2,711	4,872

Outstanding balances relating to any key management personnel was \$Nil (2017: \$Nil). There have been no guarantees provided or received for any key management personnel.

During the year, Landcom has had inter agency transactions for reimbursement of cost, distribution of revenue and management fees with other NSW State Government Agencies. In addition to the agencies listed in Note 27, Landcom also transacted with Sydney Water Corporation, UrbanGrowth NSW Development Corporation, Health Administration Corporation, Place Management NSW, Department of Aging Disability and Health, Crownland Homesites Program, Roads and Maritime Services, Transport for NSW and Family and Community Services.

In 2018, land from Planning NSW was transferred at fair value of \$1.00 each and recorded as an equity transfer. In 2017, land from Health Administration Corporation and Place Management NSW was transferred at fair value of \$1.00 each and recorded as an equity transfer.

Inter-agency revenue

	2018 \$'000	2017 \$'000
Department of Planning and Environment	1,693	3,438
Department of Aging Disability and Health	15,820	41,173
NSW Land and Housing Corporation	24,140	41,163
Roads and Maritime Services	–	20,045
Sydney Water Corporation	–	9,337
UrbanGrowth NSW Development Corporation	10,110	6,863
Crown Lands Homesites Program	–	214
Family and Community Services	60,920	–

Inter-agency receivables

	2018 \$'000	2017 \$'000
Department of Aging Disability and Health	22	39
NSW Land and Housing Corporation	300	–
Roads and Maritime Services	7,623	11,434
UrbanGrowth NSW Development Corporation	222	1,211

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

27 Joint Arrangements

As part of normal business operations, Landcom has various contractual arrangements with other parties. The arrangements are for land development, which is Landcom's core business. These contractual arrangements require unanimous consent from all parties for all relevant activities. In all the joint arrangements the parties have equal voting rights.

These arrangements are therefore classified as joint operations and Landcom recognises its direct right to the jointly held assets, liabilities, revenues and expenses as described in Note 1.23.

Details of these arrangements are as follows:

Name of joint arrangement	Nature of relationship	List of Parties Involved	Project location	Agreement Existed	
				2018	2017
Macarthur Heights	Joint operation	<ul style="list-style-type: none"> University of Western Sydney 	Campbelltown, NSW	Yes	Yes
Bunya	Joint operation	<ul style="list-style-type: none"> Department of Planning and Environment 	Doonside, NSW	Complete	Yes
One Minto	Joint operation	<ul style="list-style-type: none"> Land and Housing Corporation Campbelltown City Council 	Minto, NSW	Complete	Yes
Rouse Hill Town Centre	Joint operation	<ul style="list-style-type: none"> Department of Planning and Environment 	Rouse Hill NSW	Yes	Yes
Oran Park Town Centre	Joint operation	<ul style="list-style-type: none"> Greenfield Development Corporation Ltd Leppington Pastoral Co Pty Ltd 	Oran Park, NSW	Yes	Yes
Green Square Town Centre	Joint operation	<ul style="list-style-type: none"> Mirvac Green Square Limited 	Green Square, NSW	Yes	Yes
Newcastle East End	Joint operation	<ul style="list-style-type: none"> GPT Hunter Custodian Pty Ltd 	Newcastle, NSW	Complete	Yes
Bonnyrigg	Joint operation	<ul style="list-style-type: none"> NSW Land and Housing Corporation 	Bonnyrigg, NSW	Yes	Yes
Airds Bradbury Renewal	Joint operation	<ul style="list-style-type: none"> NSW Land and Housing Corporation 	Airds, NSW	Yes	Yes
Claymore Renewal	Joint operation	<ul style="list-style-type: none"> NSW Land and Housing Corporation 	Claymore, NSW	Yes	Yes
Sydney Metro Northwest Places	Joint operation	<ul style="list-style-type: none"> Sydney Metro 	Northwest Sydney, NSW	Yes	No

28 Discontinued Operations

In May 2017, following a decision by NSW Government acting in its capacity as owner, Landcom committed to a plan to transfer management of the following major urban transformation projects to UrbanGrowth NSW Development Corporation:

- The Bays Precinct
- Parramatta North
- Anzac Parade South.

UrbanGrowth NSW Development Corporation and Landcom entered into a Service Level Agreement (SLA) for Landcom to support UGDC and provide services from 1 July 2017 until 30 June 2018. During the period, prior to formal equity transfers occurring on 20 October 2017, Landcom received \$10.110 million from UrbanGrowth NSW Development Corporation in accordance with the SLA related to costs incurred on the Bays and Parramatta North projects.

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

28 Discontinued Operations (continued)

The plan also involved the transfer of the management of the Newcastle Urban Transformation Program to Hunter Development Corporation.

The assets and liabilities associated with those projects to be transferred are presented as held-for-distribution to owners at 30 June 2017. During the reporting period, additional assets and liabilities were identified and transferred together with the project inventories, employees, and employee benefit liabilities. These assets and liabilities include an office lease and associated furniture and equipment which are included in the carrying value of the disposal group held for distribution immediately prior to the transfer.

The assets and liabilities were transferred to Hunter Development Corporation and UrbanGrowth NSW Development Corporation during the reporting period, upon which Landcom recorded a distribution to owners via an adjustment to contributed capital, on the basis the transaction is with its shareholders in their capacity as owners. The net contributed capital transferred in the Statement of Changes in Equity is \$3.020 million.

	2018 \$'000	2017 \$'000
A. Asset and liabilities of disposal group held for distribution		
Assets held for distribution		
Inventories held for distribution	–	2,367
Liabilities held for distribution		
Employee benefits liabilities	–	1,224
Total Assets and Liabilities for distribution	–	3,591
B. Equity transfer		
Details of the assets and liabilities transferred to UGDC and HDC		
Property plant and equipment	3,305	–
Inventories	2,367	–
Total Assets	5,672	–
Employee benefit liabilities	2,196	–
Make good provision	456	–
Total Liabilities	2,652	–
Net assets transferred	3,020	–

29 Events After Reporting Period

There has been no material post balance date events which would require disclosure or adjustments to the 30 June 2018 Financial Statements.

30 Segment Information

For the 12 months to the 30 June 2018 and 2017 Landcom operated in one business segment, and one geographical segment. Consequently, segment information for 2018 and 2017 has not been reported.

End of Financial Statements

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Corporate directory

The current and previous Annual Reports can be downloaded at: **www.landcom.com.au/publications**

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