

TAKING THE LEAD

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

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

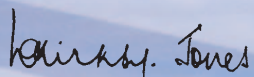
30 October 2002

Dear Ministers,

We are pleased to submit to you for presentation to the Parliament of
New South Wales, the Landcom Annual Report for the year ended 30 June 2002.

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

Landcom became a State-Owned Corporation on 1 January 2002, following
legislation being passed by both houses of Parliament. The report, however, is for
the full financial year with explanatory notes to that context, wherever applicable.



WILLIAM KIRKBY-JONES
CHAIRMAN



SEAN O'TOOLE
MANAGING DIRECTOR

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CREATING BETTER COMMUNITIES

Landcom became a State-Owned Corporation in 2002, formalising its new direction as an organisation that takes the lead in creating better communities, a role which has become the major focus for Landcom in recent years.

The Landcom Corporation Act 2001 clearly spells out our objectives:

- To be a successful business and, to this end:
 - operate at least as efficiently as any comparable business, and
 - maximise the net worth of the State's investment in it.
- To exhibit a sense of social responsibility by having regard to the interests of the community in which it operates.
- 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.
- To exhibit a sense of responsibility towards regional development and decentralisation in the way in which it operates.
- To undertake, or assist the Government in undertaking, strategic or complex urban development projects.
- To assist the Government in achieving its urban management objectives.
- To be a responsible developer of residential, commercial and industrial land.

OUR VISION

Landcom has emerged as an organisation which is increasingly focussed on taking the initiative in the delivery of strategic and complex urban developments. Landcom's Vision, "to take the lead in creating better communities", reflects Landcom's shift from simply being a participant in the development industry to taking a leadership role in urban design, environmental sustainability and community creation.

The challenge for the new Corporation is to combine its existing resources in order to support its growing involvement in projects which provide high quality urban outcomes, while continuing to provide a satisfactory financial performance for its stakeholders.

Specific areas of attention during 2002 have included the key issues of land supply, housing affordability, urban design, ecological sustainability and the development of good relationships with key stakeholder groups.

OUR VALUES

Landcom is an organisation which acts commercially while, at the same time, aspires to create better communities by:

- Looking to the future;
- Promoting innovation and demonstrating excellence;
- Remaining adaptable and willing to solve problems;
- Acting ethically and professionally at all times; and
- Valuing its customers and employees.

While constantly striving to achieve these values, Landcom is also committed to a process of continual review and improvement. In 2002, Landcom developed a "Five Year Vision", in an attempt to articulate the kind of organisation that it aspires to become in the medium term.



"Landcom is an organisation which acts commercially while, at the same time, aspires to create better communities"

Over the next five years, Landcom seeks to:

- Become the first choice for government and others in the management of strategic and complex urban projects;
- Become the model against which similar organisations seek to be measured;
- Be identified as a competent and respected organisation by its stakeholders and customers;
- Become an "employer of choice" by all those associated with the development industry.

The Five Year Vision has provided some key benchmarks for the new Corporation and is being used as a particular focus for business planning.

CHAIRMAN & MANAGING DIRECTOR'S REPORT

The past year has been a time of great change for Landcom.

The most significant change was the introduction of the Landcom Corporation Act 2001 on 1 January 2002, which formally proclaimed Landcom as a State-Owned Corporation. The Act lists a number of new objectives for Landcom, while, at the same time, emphasising the need for the new Corporation to act as an innovative and responsible developer and as a successful business – something it has already been doing for some time.

The corporatisation of Landcom represents the culmination of a long period of transition for the organisation. A new Board, charged with ensuring that Landcom remains true to its ideals and continues to be totally transparent and accountable to its stakeholders, has accompanied the new Corporation. The official opening of Landcom's new headquarters and the launch of its new logo in April 2002 were important, if symbolic, steps in the changeover from the old organisation to the new.

Early in the year, a workshop was conducted with Landcom's insurers and key staff in order to prepare a completely revised Risk Management Plan for the new Corporation. At the same time, the opportunity was taken to review a number of internal support services. Landcom's annual corporate planning cycle, along with the development of a system of Triple Bottom Line Reporting were also given particular attention during 2002. Work is currently underway on a Market Research Programme, a Customer Service Charter and a strategy for Market Branding and Positioning.



WJ KIRKBY-JONES

SL O'TOOLE

“A particularly pleasing feature of the past year has been the widespread recognition given by the development industry to Landcom’s efforts in demonstrating best practice”

Strong media interest in Landcom’s activities continued throughout the year, with particular attention given to the Prince Henry Hospital redevelopment, Landcom’s Smart Housing Demonstration Project, the Victoria Park development and the Macarthur Regional Centre site.

Demand for Landcom products remained very strong throughout the year. This was reflected in the year-end results with profit before tax of \$80.3m achieved on revenue of \$232.6m, representing a 10.6% return on assets. Returns to the State totalled \$56.2m.

For any Landcom sales office offering land and house packages during 2001 and 2002, extremely strong enquiry levels were typical.

A particularly pleasing feature of the past year has been the widespread recognition given by the development industry to Landcom’s efforts in demonstrating best practice in strategic, complex and innovative projects as well as its strong commitment to “Creating Better Communities”. Landcom received a number of awards during 2001/2002, ranging from the multi-award winning Energy Efficient Home at Metford to a variety of awards for design

excellence in our various estates and medium density developments. During May 2002, in a significant achievement, Landcom became the recipient of the highly coveted Banksia Award for “Government Leading by Example”, one of the most prestigious awards of its kind in Australia.

During 2002, a number of decisions were made about Landcom’s future. A “Five Year Vision” was developed which proposes the kind of organisation that Landcom aspires to become in the medium term. In addition, the Landcom Corporation Act has provided for the issue of a Statement of

Priorities by the Portfolio Minister to guide the activities of the Corporation.

With both the Five Year Vision and the Statement of Priorities to provide overall guidance, the Board and the Executive have identified a series of Corporate Objectives as the focus of the Corporation’s specific attention over the next 12 months. In nominating these objectives, a great deal of time was spent ensuring that, in the year ahead, Landcom remains strongly focussed on value adding and on delivering outcomes which support the Government’s metropolitan development objectives.

Accordingly, for the remainder of 2002 and into 2003, Landcom plans to:

- continue to develop good relations with key stakeholder groups.
- continue to improve its performance and efficiency and involvement in strategic projects.
- take a leadership role in addressing issues of importance to government such as land supply and sustainability.
- continue to deliver a financial return to the State.

Each business division within Landcom has developed its own

specific response to the Corporation’s objectives and these will, in turn, filter through into Divisional Action Plans and individual performance agreements. Everyone in the Corporation will have an important part to play.

Some of the principal outcomes of this process for the year ahead will be:

- significant improvements in land supply, housing affordability, urban design and ecological sustainability.
- continued expansion of Landcom’s involvement in strategic and complex projects, with particular priority being given to the Green Square



“The Welcome Programme is a key initiative of Landcom to ensure residents feel part of their new community”

Town Centre, the Riverstone Release Area, Interciti at Wollie Creek, the Rouse Hill Regional Centre, the Prince Henry redevelopment and the Macarthur Regional Centre.

- a range of initiatives designed to ensure that financial returns to the State are maintained and continue to be sustainable into the future.
- improvements in internal performance and efficiency, particularly in the areas of project management, customer service and knowledge management.
- the development of a comprehensive Human Resources Strategy to plan for, support, attract and recruit the best possible staff.

- major improvements in both internal and external reporting and, for the first time, the production of a full Triple Bottom Line report, with future reports being produced on an annual basis.

That Landcom has enjoyed substantial success during the past year is undeniable; it has exceeded its financial targets and won a number of prestigious awards for excellence in design, masterplanning and sustainable development.

Its products have been particularly well received by the buying public. Importantly, the organisation has made a smooth transition to its new status as a State-Owned Corporation. These achievements

have only been made possible by the diligence, the professionalism and the hard work of Landcom's people who have yet again earned the high regard and sincere appreciation of the Board. We thank them for their invaluable contributions.

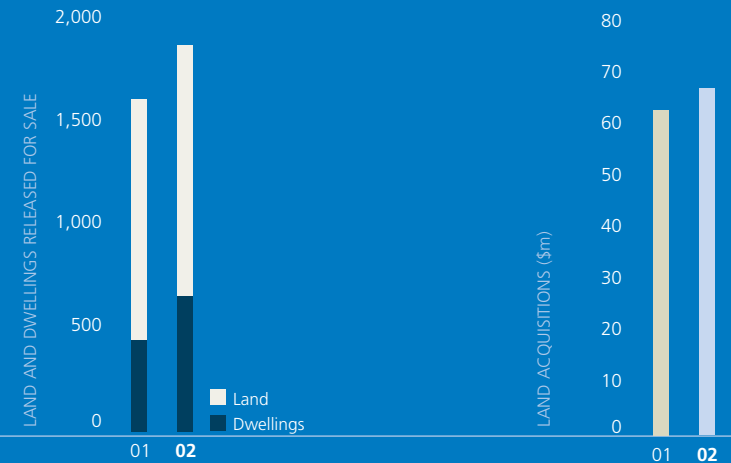


WJ KIRKBY-JONES AM
CHAIRMAN



SL O'TOOLE
MANAGING DIRECTOR

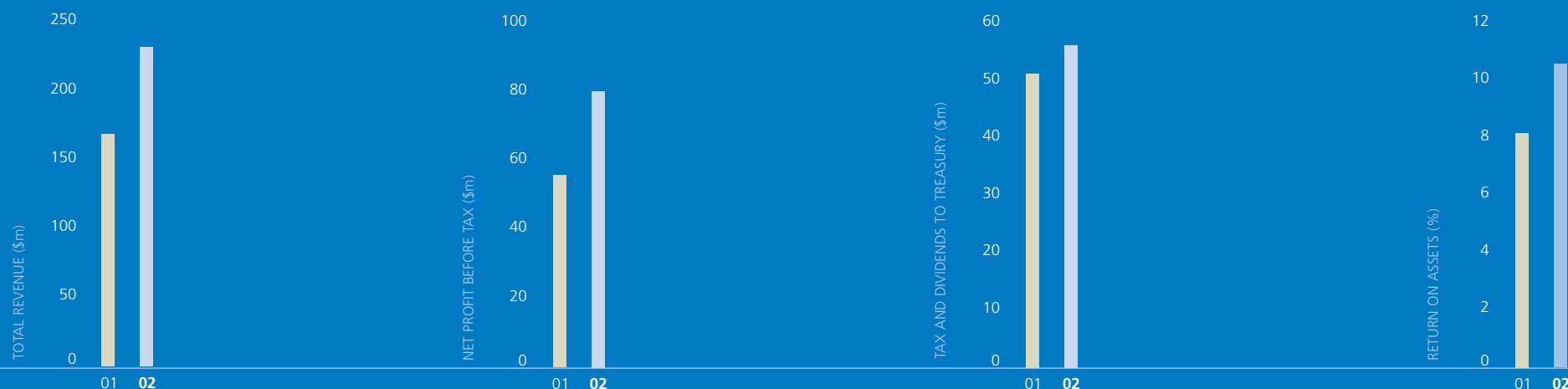
KEY PERFORMANCE INDICATORS & HIGHLIGHTS



2001/2002 was another busy and successful year for Landcom.

Total revenue for the year was \$232.6 million, up 38% on the prior corresponding period. Net profit before tax increased by 43% from \$55.9 million to \$80.3 million, and return on assets grew by 2.4%.

Land acquisitions were up 6% to \$67.2 million, with the number of land and dwellings released for sale during the year totalling 1,878 (1,620 in 2000/2001).



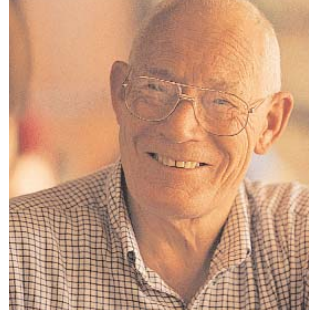
- During the year Landcom released for sale to the public 1,878 dwellings – land, apartments, townhouses and house and land packages.
- Construction continued on Victoria Park, with Tote Park officially opened by the Deputy Premier of NSW, Dr Andrew Refshauge, in November 2001.
- The masterplan for the Prince Henry Hospital redevelopment was approved by Randwick City Council – following an extensive community consultation process.
- Rockdale City Council granted approval to the Interciti Arncliffe masterplan during the year.

- Landcom continued its association with the redevelopment of the Green Square area, with the focus on development of the Green Square Town Centre.
- The Premier of NSW, The Hon Bob Carr, officially opened Stage One of the new \$70 million Shellharbour Town Centre in November 2001.
- Planning for the \$900 million Rouse Hill Regional Centre was largely completed during 2001/2002. During the year, expressions of interest were called for the development of the initial stages of the Centre, with a shortlist announced in June 2002.

- Stockland Corporation was appointed preferred developer for Landcom's Macarthur Regional Centre Site.
- The site masterplan for the neighbouring "Link Area" project was approved by Campbelltown City Council with site works due to commence late in 2002.
- Development consent was issued for the Homeworld IV Display Village at Kellyville and civil works for the project commenced.
- The first of Landcom's "smart houses" in the Smart Housing Demonstration Project went onto the market in 2002, attracting widespread media, community and industry interest.

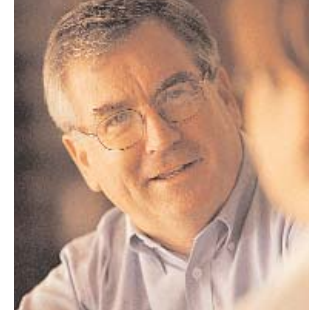
- Landcom conducted a highly successful Seminar in April 2002 to explore the market potential of moderate income housing and to encourage discussion and debate within the development industry.
- Landcom commissioned investigations designed to reduce the reliance on non-renewable energy resources within future Landcom estates.
- The rollout of Triple Bottom Line reporting continued during the year, with a number of consultation sessions being conducted with both internal and external stakeholders.

BOARD OF DIRECTORS



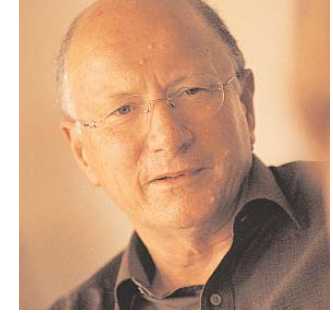
WILLIAM KIRKBY-JONES AM
CHAIRMAN

Dip CD, FAICD, FAIM, FAMI



SEAN O'TOOLE
MANAGING DIRECTOR

Dip T&CP, Dip Env Studies,
Grad AICD, FRAPI, Assoc AIVLE



NEIL BIRD AM
DEPUTY CHAIRMAN

BArch, Grad Dip Mgt, FRAIA, FAICD,
FPIA, FAPI

Mr Kirkby-Jones gained his experience in the building and development industry as founding Managing Director of the Defence Housing Authority and earlier as the Managing Director of the Housing Industry Association. He now holds a number of non-executive directorships including Amber Group Australia Limited, the Kingston Foreshore Development Authority, Community Housing Canberra Limited, Honeysuckle Development Corporation and the Australian Housing Urban Research Institute Limited. In 1992 he was made a Member of the Order of Australia for outstanding service to the housing industry.

Mr O'Toole has been the Chief Executive of Landcom since 1996. Prior to this position he was Assistant Director General for the Department of Urban Affairs and Planning. He is a member of the Australian Property Institute, a fellow of the Planning Institute of Australia, an associate of the Australian Institute of Company Directors, and has qualifications in real estate valuation, town planning and environmental management.

Mr Bird has substantial experience in the development industry including senior executive positions in companies such as the Delfin Property Group and the Pioneer Housing Group. He is a past national President of the Urban Development Institute of Australia and was NSW Chairman of the Indicative Planning Council for the Housing Industry. He is currently a member of the Central Sydney Planning Committee and a Director of Honeysuckle Development Corporation and Urban Pacific Limited.



PENNY MORRIS AM

BArch (Hons) MEnvSci, Dip CD,
FRAIA, FAICD

Ms Morris has extensive experience in property development and management. Currently she is a Director of Country Road Limited, Jupiters Limited and Sydney Harbour Foreshore Authority. She was formerly Group Executive, Lend Lease Property Services; General Manager and Director Lend Lease Commercial; and Director of Commonwealth Property with the Department of Administrative Services (Canberra). Ms Morris has also been a Director of State Bank, Australian Postal Corporation, Howard Smith and Indigenous Land Corporation.



CHRIS CARROLL

LLB (Hons), MAICD, MACLA, MICS,
Member Law Society of NSW

Mr Carroll is a solicitor who has a background in property and commercial law. He was in-house legal counsel for Lend Lease for 10 years. He has negotiated many of Sydney and Brisbane's largest lease, retail redevelopment and refurbishment deals and authored Australia's first short form Plain English Retail Lease. He has held senior positions with Lend Lease and Medallist, and provides general corporate advice to small/expanding companies as well as advice to Board Directors on the process of developing corporate governance and risk management. Currently he is a Director of Luxdell Pty Limited and Fromeday Pty Limited and the CEO of Binads, an advertising media company.



CATHRYN INGRAM

BAcc, MICAA, MIAA

Ms Ingram is a Partner with KPMG based in Canberra. She is a Registered Company Auditor with more than 15 years experience in the assurance field and extensive expertise in auditing public and private companies, private associations and government. Her clients include a property development listed company and this provides her with considerable knowledge of the development industry.



GAE RABY

BEc

With a background in economics, Ms Raby has extensive experience in the management of major government funding programmes at the federal and state level. She has held senior positions in a broad range of government agencies. These have included the Land Co-ordination Unit, and the Department of Family and Community Services. As Manager Corporate Strategy for FreightCorp, she was responsible for the project management of the corporatisation process. Currently she is a Director on the Zoological Parks Board of NSW.

LANDCOM'S STRUCTURE & KEY EXECUTIVE TEAM

LANDCOM BOARD

MANAGING DIRECTOR

GENERAL MANAGER URBAN DEVELOPMENT

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

The Environment section advises the development teams on sustainability issues.

GENERAL MANAGER URBAN RENEWAL/COMMERCIAL

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

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

GENERAL MANAGER CORPORATE SERVICES

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

GENERAL MANAGER FINANCE AND IT

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

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

GENERAL MANAGER MARKETING AND SALES

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



MICK OWENS
GENERAL MANAGER
URBAN DEVELOPMENT

BSurv, MIS



GEOFF JOYCE
GENERAL MANAGER
URBAN RENEWAL/COMMERCIAL

BCom, ACA, FAICD



IAN HAYES
GENERAL MANAGER
CORPORATE SERVICES



GREG SOUTH
GENERAL MANAGER
FINANCE AND IT

BEC ASA



PATRICIA WILES
GENERAL MANAGER
MARKETING AND SALES

BSc (Hons), DipM

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

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

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

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

Ian has been with Landcom since 1994. Having held senior management positions in the urban development and urban renewal areas, as well as corporate management, he has excellent knowledge of the organisation.

Before joining Landcom, Ian had worked with a number of state government agencies, primarily in their property divisions. He has managed property portfolios covering commercial, industrial and residential accommodation and facilities.

In his current position, he is responsible for corporate management activities involving governance issues, compliance, legal services and human resources services.

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

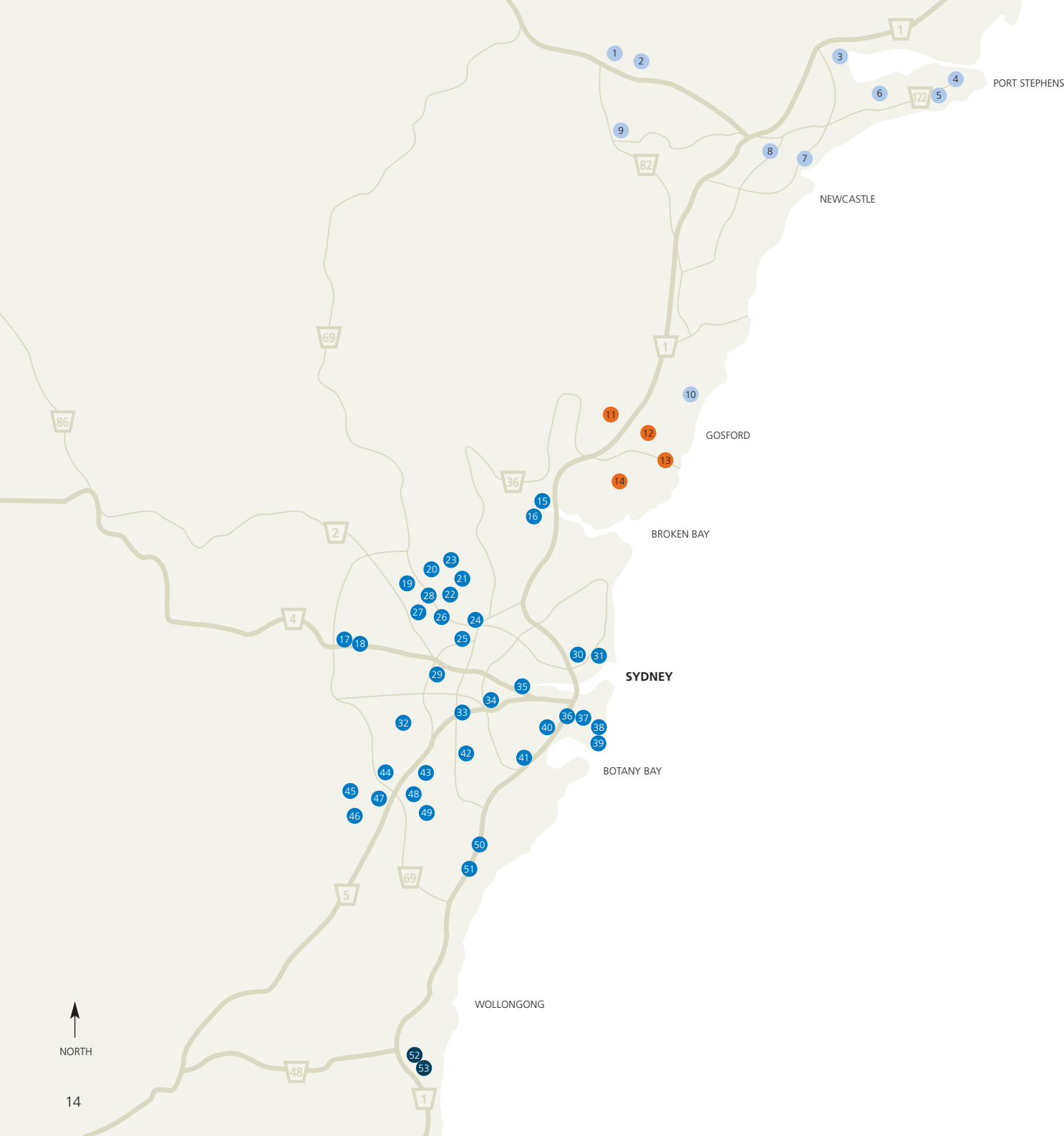
Before joining Landcom 18 months ago, he performed a number of commercial management roles with subsidiaries of a number of large corporations including Leighton and Transfield.

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

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

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

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



HUNTER

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

CENTRAL COAST

11. Blue Haven – McKellar Green
12. Wyong – Watanobbi Rise
13. Erina – Erin Grove
14. Gosford – Worrell Park

SYDNEY

15. Berowra
16. Hornsby Heights
17. Orchard Grove
18. South Werrington
19. Second Ponds Creek
20. Kellyville – Merriville Rise
21. Kellyville – Guardian Grove
22. Kellyville – Tallowood Hills
23. Rouse Hill Regional Centre
24. West Pennant Hills – Rosedale Grove
25. Oatlands – Hunterford
26. Quakers Hill – Greendale Terrace
27. Parklea – Forest Glade
28. Stanhope Gardens – Newbury
29. Villawood – Hamilton Grove
30. Willoughby Paddocks
31. Seaforth
32. West Hoxton – Greenway Park
33. Punchbowl – Carrisbrook
34. Chullora Industrial Centre
35. Five Dock – Kings Bay
36. Green Square Town Centre
37. Zetland – Victoria Park
38. Little Bay
39. Little Bay – Prince Henry
40. Wolli Creek – Interciti
41. Jannali – Acacia Ridge
42. Menai
43. Ingleburn Industrial Estate
44. Smeaton Grange
45. Spring Farm
46. Menangle Park
47. Mount Annan – Garden Gates
48. Macarthur Regional Centre
49. Macarthur Link Area
50. Heathcote
51. Helensburgh

ILLAWARRA

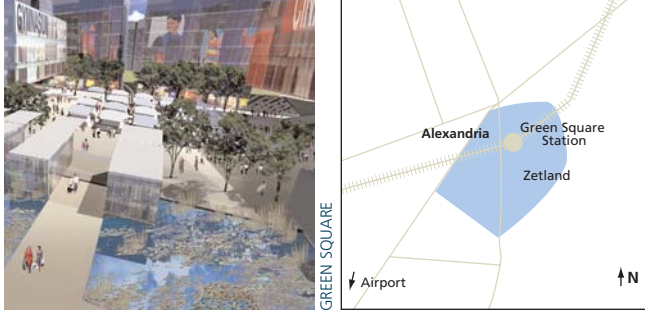
52. Shellharbour – Woodlands
53. Shellharbour City Centre



NORTH



PROJECT ACHIEVEMENTS



GREEN SQUARE TOWN CENTRE

The transformation of several inner southern Sydney suburbs from their humble industrial and manufacturing beginnings into a vibrant, environmentally sustainable, mixed-use community for the future, is one of the largest urban renewal projects ever to be undertaken in the southern hemisphere.

At the heart of this \$2 billion urban redevelopment project will be the Green Square Town Centre. Landcom, in partnership with the South Sydney Development Corporation and South Sydney City Council, is working to make this Town Centre a reality.

The location of the Town Centre is without parallel. Less than five kilometres from the centre of

Sydney and midway between the CBD and Sydney Airport, this highly strategic site is one of the most accessible in Australia, as it is just one stop from Sydney's Central Station on the new airport rail link.

However, the site for the Town Centre is currently in the hands of 14 different owners, both state and local government as well as private holdings. The main challenge for the partners will be to capitalise on the NSW Government's extensive infrastructure commitment for the area by overcoming the constraints imposed by the fragmented ownership pattern and bringing together these competing interests to achieve a common objective.

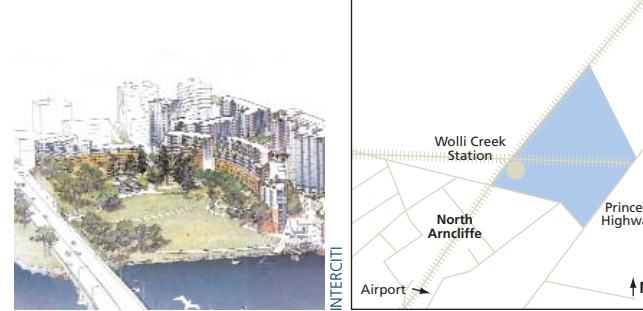
The future Town Centre will be the commercial, retail and cultural hub of the South Sydney Growth Area and will be a major transport interchange. It will feature world's best practice in environmental sustainability and will meet the competing challenges of incorporating innovative design, with high density living. Set on 14 hectares, the Centre will accommodate a total of 375,000 square metres of floor space and will house an additional 20,000 residents over the next 15 years, along with 20,000 new workers.

Site masterplanning for the Town Centre is already well underway and included a design competition for a three hectare "catalyst site" in the heart of the Town Centre.

The team which won the design competition is currently working with the project partners to further develop the scheme and integrate it with the refined Town Centre masterplan which is currently being finalised.

THE WINNING DESIGN FOR THE GREEN SQUARE TOWN CENTRE BY THE TURNER_ARETS_McGREGOR_HOLOS COLLABORATION. THE COMPETITION WAS A KEY PART IN THE PROCESS TOWARDS COMPLETION OF THE TOWN CENTRE MASTERPLAN AND WAS CONDUCTED BY THE SOUTH SYDNEY DEVELOPMENT CORPORATION. CONDUCTED AS AUSTRALIA'S FIRST ONLINE DESIGN COMPETITION, IT ATTRACTED 21 ENTRIES COMPRISING 69 INDIVIDUAL FIRMS FROM EIGHT COUNTRIES.





INTERCITI

With the development of Interciti, Landcom is breathing new life into what has become a neglected site on the banks of the Cooks River in Sydney. Interciti offers many advantages as it is close to Sydney's centre, just one stop from the international terminal at Sydney airport and adjacent to the M5 motorway.

The highly accessible eight hectare site has been vacant for 20 years. With the construction of the new southern railway across the site and in view of the NSW Government's objective of increasing development opportunities along transport infrastructure, Landcom has moved to consolidate this previously fragmented site and intends to use it as a catalyst for the renewal of nearby North Arncliffe.

A site masterplan has been finalised by Landcom through a joint venture partnership with the other landowner, the State Rail Authority and assisted by Rockdale City Council.

A mixed-use development is proposed for the site, incorporating up to 1,000 apartments and 55,000 square metres of commercial and retail accommodation. Accessibility, careful attention to urban design, adaptability and flexibility are key to the development. A variety of dwellings and business accommodation is proposed, which will cater for a diverse and changing market.

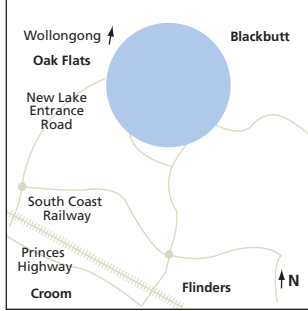
Other features of the project include a major redevelopment over the Wolli Creek Railway Station, a comprehensive heritage conservation strategy,

incorporating the restoration of historic Tempe House and St Magdalen's Chapel, the onsite harvesting and regrowth of threatened vegetation and the creation of substantial foreshore parklands.

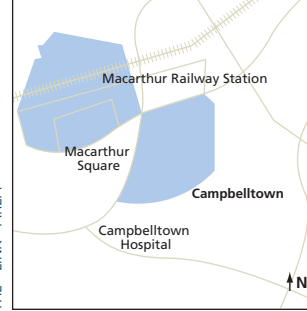
Interciti will offer work and lifestyle choices not usually found in new urban development. As well as creating a self-sufficient community, this innovative project will provide strong links back to the existing North Arncliffe community, providing long-term benefits to both residents and workers.



SHELLHARBOUR CITY CENTRE



MACARTHUR REGIONAL CENTRE AND THE "LINK" AREA



SHELLHARBOUR CITY CENTRE

The Shellharbour City Centre is the focal point for the rapidly growing coastal city located in the southern half of the Illawarra region. The Centre's growth has been typical of many, with purpose built shopping complexes containing chain stores, specialty shops and bulky goods outlets often physically separated from one another. The result has been the creation of an environment which is less than ideal with buildings often competing with each other.

Landcom, in a cooperative partnership with Shellharbour City Council, took up the challenge to realise the Council's long held dream of creating a vibrant "heart" for Shellharbour.

By using land it had originally purchased for new housing in a more innovative and creative way, Landcom has managed to link these various competing elements. The dream became a reality in November 2001 when the Premier of NSW, The Hon Bob Carr, officially opened the first stage of the new 12.3 hectare city precinct for business.

With works valued at over \$70 million, this project will provide much needed employment, economic and social opportunities for the Region. The City Centre will eventually employ 1,700 people in a unique combination of mixed-use developments never before seen in the area and will provide a new entertainment, recreational,

social and cultural focus for the community, all in the heart of the Region's biggest shopping centre.

The development of the City Centre follows a detailed masterplan resulting in the creation of a fully integrated, pedestrian friendly environment. The core of this masterplan is a commitment to a "Main Street" pedestrian friendly environment and close integration of open space, housing, public transport and business uses. Key features of Stage One have been the opening of a main thoroughfare for the Town Centre and a five hectare "Town Park".

A number of businesses have already committed to Stage One, which include an eight screen cinema (which opened in December 2001), a library and 4,500 square metres of shops, restaurants and offices. Future stages will include a hotel and up to 400 apartments.

MACARTHUR REGIONAL CENTRE AND THE "LINK" AREA

Over 2,000 hectares of land in the outer southwest of Sydney came into public ownership during the 1970s, to accommodate the planned future growth of the Macarthur region, with its focus being the Campbelltown/Macarthur Regional Centre. While much of this land has subsequently been serviced and released for urban purposes, 100 hectares of prime land immediately adjacent to the existing Macarthur Square was retained for future commercial development.

With essential transport and other infrastructure in place, and a large, stable population and workforce now residing in the region, the time is right to bring this area "online".

The Regional Centre site is located on a public transport hub, has freeway access nearby

and is immediately adjacent to the Lend Lease development known as "Macarthur Square", which already provides a wide range of employment opportunities. After examining projected changes in the makeup of the local population, reviewing anticipated shifts in housing, transport and shopping demand patterns, and following extensive community consultation, Landcom, in partnership with Campbelltown City Council, has concluded that full commercial development of this site is unlikely to be viable.

Instead, Landcom has taken a more strategic view and is focussing on a major residential development for this area, to support and complement existing development and planned growth proposed for Macarthur Square and in order to take full



ROUSE HILL REGIONAL CENTRE



advantage of the extensive public transport opportunities which are already available.

Accordingly, Landcom is in the process of re-masterplanning this highly strategic site. In conjunction with its partner, Stockland Corporation, and in cooperation with Lend Lease, Landcom will provide a wide range of housing types to meet the changing needs of the population.

The site's unique features have provided Landcom with an opportunity to introduce, for the first time, the benefits of a fully integrated community to the Macarthur region. The revised masterplan will include commercial and retail development adjacent to existing rail, university and retail areas.

The benefits of this planned community lifestyle also extend to Landcom's adjacent Link Area site. This 37 hectare project will include a range of housing choices, retirement/aged care facilities, an entertainment and leisure precinct, commercial development, a landscaped lake system and a massive 14 hectare system of parklands.

Work on Stage One of the Link Area Project, involving the development of the open space and major road network, commenced during 2002.

The development of the Rouse Hill Regional Centre has presented Landcom with an opportunity to demonstrate best practice in town centre design from the ground up.

This 96 hectare greenfield site was originally purchased by PlanningNSW in the 1980s as the site for a future town centre to accommodate the needs of the new residents of the Rouse Hill Development Area. Landcom, in partnership with PlanningNSW and a private sector partner, is playing a key role in ensuring that this strategic growth area will have a vibrant business and community "hub".

The Rouse Hill Regional Centre will be developed over a 15 year period in an innovative

arrangement in which Landcom will coordinate key infrastructure requirements and PlanningNSW will retain site ownership. Landcom's role will be to partner the private sector to develop the Centre while, at the same time, providing continuing control over land use and final built form.

The zoning for the \$900 million Centre is largely completed. The Centre will incorporate up to 100,000 square metres each of retail and commercial development, 1,200 homes, two school sites, comprehensive community facilities and will be set within extensive parklands. It will be a totally planned, multi-functional and fully integrated development incorporating the best principles of urban design, environmental sustainability and transport accessibility.

While the sheer scale of the proposed development is impressive, there are also a number of features which will set this Centre apart. All development is to be based on ecologically sustainable principles. Business areas will be fully integrated with a range of housing types and designs. The Centre will be based on a "Main Street", pedestrian friendly concept and will incorporate cutting edge public transport including a bus-only transitway direct to Parramatta and a transport interchange. Unlike the conventional "big box" shopping complexes which shut up at night, the Rouse Hill Regional Centre will remain alive and vibrant at all times.

An Expression of Interest process to identify a joint venture partner for the development has resulted in four organisations being invited to tender. Tenders are due to close in November 2002, with construction of Stage One of the Centre expected to commence in 2004.





THE CLUBHOUSE AT NEWBURY'S EASTBOURNE NEIGHBOURHOOD IS ONE OF MANY PLANNED FOR THE DEVELOPMENT. NEWBURY AT STANHOPE GARDENS IS DESIGNED TO CREATE A SENSE OF COMMUNITY THROUGH A SERIES OF NEIGHBOURHOODS, EACH WITH ITS OWN IDENTITY WITH SHARED FACILITIES, PROVIDED UNDER COMMUNITY TITLE. ALL RESIDENTS WILL HAVE ACCESS TO A POOL, CLUBHOUSE AND TENNIS COURT.

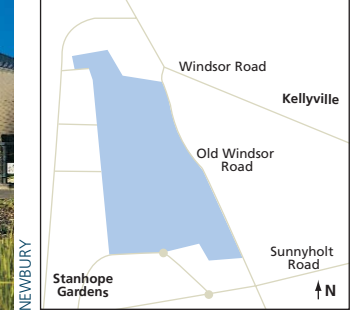
NEWBURY

Construction at Newbury, a major greenfield development with the potential for around 1,800 homes, is well advanced, with the first stage of home sites released to the public during 2002.

This 157 hectare land release in Sydney's northwest at Stanhope Gardens is being developed in a partnering arrangement with Mirvac. The Estate is already proving to be a benchmark project for Landcom, as it is the first to be holistically designed and masterplanned using a range of innovative design principles. The development is clearly a showcase for urban living in the 21st century.

All residents will have access to a purpose built town centre, neighbourhood parks, playing fields and educational facilities. Each neighbourhood within Newbury will have its own residents' club, a resort-like community centre typically featuring a tennis court, swimming pool and BBQ facilities.

Newbury offers a wide variety of housing choice to homebuyers and will include mews, town houses, small and large house and land packages (including houses with additional "studio" accommodation) as well as homesites. All builders working on the Estate will be required to adhere to a detailed "Design Manual" developed by the partners, Landcom and Mirvac,



in order to better influence the built form of the completed project. These development guidelines set new parameters for an estate of this nature, involving adherence to a range of aesthetic, environmental and structural requirements.

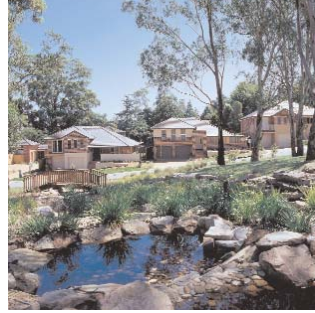
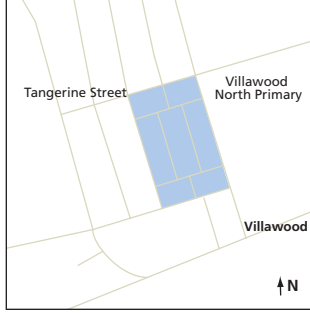
Newbury residents will benefit from the project's strong environmental credentials. Living areas in all homes will be positioned to maximise solar access, resulting in increased amenity and a reduction in anticipated power usage. Furthermore, a dual water

system will be installed throughout the Estate, where recycled water will be used for a range of secondary purposes, reducing household water costs.

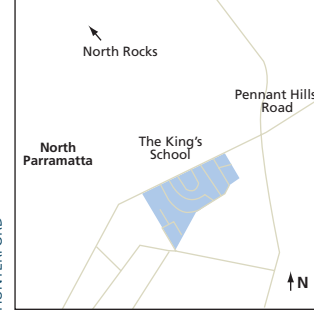
The Estate was officially opened by the Deputy Premier of NSW The Hon Dr Andrew Refshauge, in May 2002.



HAMILTON GROVE



HUNTERFORD



HUNTERFORD



HAMILTON GROVE

When the NSW Government took the decision to demolish the public housing estate

which originally occupied this site in Villawood, it was because the estate was in poor condition and was neither integrated with, nor working for the benefit of the local community.

Landcom, in conjunction with its joint venture partner, Bellevalle Homes, has worked hard to meticulously plan every street and home with a final vision in mind.

A conscious effort has been made to turn away from the "enclosed" concept that characterised the former development on the site and, instead, to create a development which reflects the traditional

suburban "feel" of the neighbouring area. The result is a development which is better integrated with the community, is proving popular with surrounding residents and which provides a welcome "kick start" to future renewal and refurbishment projects throughout the local area. In this spirit of fostering closer ties with the neighbours, Landcom and its joint venture partner have provided upgraded playground facilities for the adjacent Tangerine Street Primary School, featuring improved landscaping and an enhanced, open-air amphitheatre-styled courtyard.

The Estate is currently under construction and is programmed for completion in 2003. It features a central park and incorporates cost effective

planning, design and construction principles, providing a range of affordable housing choice. A particularly pleasing feature of this development, given its origins as a public housing estate, is that the vast majority of homes purchased to date have been by first homebuyers. Most of the 168 dwellings that will finally comprise the Estate have already been sold.

As well as being popular with local residents and homebuyers, the Estate has won the NSW Urban Development Institute of Australia's Award for best Small Scale Residential Development and was a recent finalist in the National Awards.

HUNTERFORD

When Landcom acquired this site in Sydney's suburban northwest, it would have been easy to adhere to conventional thinking and simply subdivide and on-sell the land for detached housing.

In a highly successful joint venture with St Hilliers, Landcom has developed an innovative set of design criteria for the Hunterford site which has influenced the built form of the finished project.

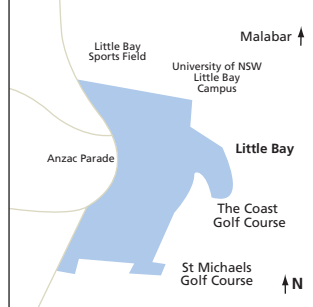
The key to influencing the design process has been the creation of the Hunterford Applications Review Panel. This Panel (comprising representatives of Baulkham Hills Shire Council, Landcom, St Hilliers, architects

and selected builders) was established to review applications before they were submitted to Council for approval. In this way, individual buildings were assessed for compliance with Landcom's design criteria at the earliest stages of the development process and the recommendations of the Panel formed part of Council's final consideration of subsequent development applications.

The Hunterford Estate, which is expected to be fully completed in 2002, features a mix of detached houses and a range of medium density housing types, appealing to a wide variety of homebuyers. The distinctive architectural style within the surrounding area (such as nearby Burnside Homes and The King's School) has influenced building design within

the Estate and has helped to link the Estate with neighbouring development.

Apart from providing the benchmark for innovative urban design throughout the surrounding area, this development also features a range of community facilities rarely offered in a suburban context. These include a Village Green, central to the Estate, which features a swimming pool, tennis court and clubhouse. In addition to the Village Green, there are a series of open spaces within the Estate, each with a distinctive style and purpose. A number of these open space areas are linked by pedestrian or shared pathways, one of which features an innovative "cascading water feature".



PRINCE HENRY



The strategic acquisition of this site has provided a rare opportunity for Landcom to sponsor an urban renewal process incorporating a fully masterplanned village as its centrepiece.

However, the opportunity has come with significant challenges.

Located within a sensitive coastal environment, the site includes an ageing purpose-built hospital complex (including an operational helipad), and also contains a number of important items of European and Aboriginal heritage significance.

The challenge for Landcom has been to overcome these issues and to breathe new life into the site by building on its best features.

To date, Landcom has undertaken a rigorous assessment, followed by an intensive community participation process culminating in the endorsement of a masterplan. The key to the success of this process has been the development of strong links to the community, and on Landcom's pledge to remain committed to brokering the best possible, long-term outcome for the site.

Landcom's involvement as masterplanner and masterdeveloper for the Little Bay site will run until its anticipated completion in 2007. Landcom aims to provide living accommodation suited to the needs of the market which both respects and enhances the environment.

It will develop and then impose stringent design guidelines for the duration of the project. This will ensure that redevelopment occurs in an orderly fashion and delivers the best possible outcomes for the community.

The approved masterplan provides for about 80% of the total site to remain in public ownership. It also features the conservation of threatened vegetation, remnant bushland and natural landscape features, the protection of important Aboriginal sites, the creation of extensive open space and the development of unrestricted public access throughout the site and along the coastal foreshore.

Of the remaining area for renewal, residential development is only part of the plan. Along with the proposed 900 new dwellings, there will also be a "village" incorporating a comprehensive aged care facility for up to 267 people, a small retail/commercial/medical centre and associated community facilities and accommodation. In addition, the redevelopment will include an 11 hectare heritage precinct, comprising 19 buildings all sensitively adapted for residential and community purposes.



VICTORIA PARK



VICTORIA PARK

Construction is well underway at the landmark “Victoria Park” development in Sydney’s booming inner south. One of Landcom’s most ambitious undertakings, Victoria Park is at the forefront of the immense urban renewal currently underway in and around the South Sydney Growth Area.

Strategically acquired well in advance of the current building boom, this prime 24.5 hectare site has been, at various times in the past, a Naval supply centre,

a car manufacturing plant and even a racecourse. Landcom is in the process of transforming the site into an Icon Development, featuring the best in building design, environmental management, inner city accessibility and community development. Victoria Park will be the catalyst for the surrounding urban transformation which is only now taking shape, providing direction and focus for the anticipated massive private sector development.

The Victoria Park masterplan allows for the development of up to 2,500 apartments and terrace homes, 150,000 square metres of commercial, retail and residential space running along South Dowling Street and nearly four hectares of green parks. It is the first site in the South Sydney Growth Area to have been masterplanned, and the largest to date. The development will be structured around a network of streets and high quality parklands allowing for the creation of individual

neighbourhoods, each with its own distinctive character yet still connected to form an identifiable community.

Landcom’s commitment to urban design excellence is highly evident at Victoria Park as confirmed by the number of awards the project has won to date, including the South Sydney Development Corporation’s Inaugural Design and Innovation Award and the NSW Royal Australian Planning Institute’s Commendation for Urban Design.

The entire development is specially designed to accommodate a rapidly changing housing market by catering for a wide range of housing types. Dwellings will feature cross flow ventilation, larger, more useable balcony spaces and will be aligned to maximise sunlight orientation. This is in addition to the distinctive urban design and architectural features which characterise all Landcom developments.

Finally, and perhaps most importantly, Victoria Park

demonstrates Landcom’s commitment to responsible environmental management. While outwardly less noticeable, Victoria Park features the almost complete recycling of demolition materials, the development of a swale bio-retention system for stormwater treatment, adaptive reuse of valuable heritage buildings such as the historic Totalisator Building, extensive use of renewable building materials and energy efficient building design and innovation.





FOREST GLADE DEMONSTRATION PROJECT

Home ownership is still one of the most important goals for Australian families. It allows families to build overall wealth and create comfortable, secure and productive lifestyles.

Housing must be affordable to ensure moderate income families are not excluded from this Australian dream.

Landcom believes it has a responsibility to demonstrate to the housing industry that, with a little extra effort and imagination, it is possible to build moderately priced housing which is both well designed and appropriately targeted.

With this in mind, the first of Landcom's "smart houses" went on the market in 2002, as part of Landcom's established Forest Glade Estate in Sydney's west. An initiative of both Landcom and its partner, Cosmopolitan Constructions, the Smart Housing Demonstration Project is a practical example of what can be achieved by thinking "outside the square". The smart houses incorporate the latest environmentally sustainable principles and demonstrate a range of flexible layouts, showcasing the best in urban design, while at the same time, remain affordable for homebuyers on moderate incomes.

A total of 63 house and land packages are to be built at Forest Glade with 13 of these homes made available to those on moderate incomes at prices ranging from \$156,000 for a two bedroom home to around \$230,000 for a four bedroom dwelling. The rest of the 50 homes are also to be marketed at prices well below comparable prices in the area.

In a departure from tradition, subdivision layouts were not finalised until house layouts had been determined. Instead, Landcom and its partner started by first considering who would be living on the Estate and then designing the kind of housing to best suit their needs. The result is a "super efficient" subdivision layout with lots ranging from 220 square metres to more than

600 square metres, with the shape and location of each lot specifically designed to accommodate individual households and house designs.

These house designs are suitable for the widest possible range of homebuyers, from young couples and young families, to retirees, empty nesters and single parent families. Some have been specifically designed for future expansion, allowing the house to grow as the family and income levels grow. Added cost savings have been achieved through more efficient use of space, smarter use of materials and careful application of design elements that are both modular and interchangeable.

Lower prices haven't meant lower quality. Landcom has insisted that the smart houses be seamlessly integrated into the rest of the Forest Glade Estate. Accordingly, while savings have been achieved through a range of innovative building ideas and features, the homes all include conventional materials and finishes that blend easily into the surrounding area.



CORPORATE **INITIATIVES**

MODERATE INCOME HOUSING INITIATIVES

In Australia, home ownership contributes to the development of strong, cohesive communities.

High and rising home prices in Sydney have created concerns that home ownership may be out of reach for many at a time when low interest rates should provide opportunities for families to purchase.

Landcom has taken a forward thinking approach and is implementing a Moderate Income Housing Strategy which it has developed over recent years and which has four main strands:

- Demonstration (see Forest Glade at Parklea)
- Research;
- Promotion; and

- The introduction of well-designed moderate income housing in all Landcom projects wherever commercially viable.

RESEARCH INITIATIVES The idea of providing affordable moderate income housing, on a sustainable and fully commercial footing, is a challenge for the development industry. Landcom has commissioned a number of independent investigations to better understand the size of the moderate income housing market and to investigate innovative opportunities to provide more affordable housing. These investigations will provide stronger direction for innovation in house construction and design, and ensure that the type of moderate income housing

Landcom promotes will meet the needs of end users.

Some of Landcom's more recent research initiatives include:

- *Market Study of Moderate Income Housing*

Conducted in 2001, the aim of this study was to determine the size, nature and particular aspirations of people who typically comprise the moderate income housing market, taking the Fairfield and Liverpool areas of southwestern Sydney as a case study. Of particular interest was the Study's conclusion that a significant latent market existed and few developers are actively creating homes which cater to the needs of moderate income households, pointing to real opportunities for the housing

industry to tap into this large and potentially unfulfilled sector of the market.

- *Manufactured Housing Study*

Based on trends in the United States, where up to 30% of new homes for first homebuyers are "manufactured houses", this Study examined the market potential for quality manufactured homes in Australia, with a particular emphasis on homes designed specifically to meet the needs of moderate income households.

The Study found that whilst manufactured homes are potentially capable of competing directly with conventional homes in terms of features and quality, current product is not targeted

to moderate income households and there is significant buyer resistance to manufactured housing stereotypes.

- *Innovation in Affordable Housing*

This research study examined and reviewed over 300 global innovations and identified more than 100 as potential opportunities warranting further investigation and development within the local housing industry.

- *Accessory Dwelling Unit Study*

The availability of "excess space" in traditional 3-4 bedroom family homes occupied by "empty nesters" or single elderly homeowners is an emerging trend. Landcom has commissioned a Study which



“Landcom believes in leading by example and its commitment to providing greater housing choice and more affordable housing is no exception”

examines the potential for self-contained rental accommodation to be provided privately, within existing homes on the same property title.

PROMOTIONAL ACTIVITIES

Landcom believes that for there to be a sustained shift towards the provision of moderate income housing, there also needs to be a change in thinking in the community and the development industry in particular.

Landcom sponsors and participates in a range of promotional activities designed to raise awareness of market opportunities, shares ideas and promotes discussion on the issues surrounding moderate income housing.

2002 activities included the running of a highly successful, industry-wide seminar to explore the market potential of moderate income housing. In addition to providing Landcom with the opportunity to showcase its own experiences, the experiences and views of a cross section of industry representatives were also presented.

Landcom is also working behind the scenes to encourage and promote change throughout the housing industry. Landcom is a standing member of the Joint Industry Housing Group, a private sector led group of industry representatives with a real concern for affordable

housing and a charter to develop a public-private partnership approach to address this issue.

POLICIES Landcom believes in leading by example and its commitment to providing greater housing choice and more affordable housing is no exception.

In 2001, the Landcom Board formally endorsed Landcom's Moderate Income Housing Policy and adherence to the Policy is now mandatory throughout the organisation.

The Policy requires that moderate income housing be included in all projects, as part of a range of housing choice available to the market, where it is commercially viable.

COMMUNITY OUTCOMES

Landcom actively fosters the development of better communities by:

- listening to the views of its neighbours, the people who form part of the existing communities in which it operates;
- understanding the needs of the various stakeholders; and
- bringing together the people who move to the new communities that it helps to create.

The past year has seen the continuation of a number of successful community consultation initiatives designed to elicit and incorporate,

wherever possible, the views of nearby residents and interested stakeholders in the masterplanning of new Landcom estates. In addition to this, Landcom's highly popular "Community Welcome Programme" and various other community sponsorship initiatives were expanded, acknowledging that Landcom's responsibility to the communities it creates doesn't end once the last brick is in place.

COMMUNITY/STAKEHOLDER CONSULTATION Recognising the need to integrate stakeholder ideas and issues into developments, Landcom has developed a Stakeholder Consultation Policy and

Workbook, which is an essential planning tool in any new development.

Landcom's community and stakeholder consultation process provides many benefits, for example:

- Stakeholders are consulted both at the beginning and throughout the course of the proposed development, easing its passage through the various approval processes.
- Landcom gains a clearer understanding of the needs of its stakeholders and is better able to provide land and housing that is clearly targeted and which meets the expectations of both government and the community.

Highlights for 2002 include the approval of the masterplan for Landcom's Prince Henry site by Randwick City Council, following an extensive and highly successful consultation programme involving the community, the Council and a range of environmental, heritage, archaeological and transport stakeholders.

Work also continued on finalising the development concept for the "Willoughby Paddocks" site in Sydney's inner northern suburbs. Landcom's strategy has been to adopt an "all inclusive" approach, involving extensive consultation with a wide range of stakeholders including the



“Landcom adopts a rigorous approach to both community and stakeholder consultation at the earliest stages in the planning and design of all its major development sites”

community, Willoughby City Council and State Government agencies.

COMMUNITY WELCOME PROGRAMMES Landcom’s commitment to building better communities continues well after people have physically moved into completed estates. Landcom’s Community Welcome Programme is specifically designed to help families and individuals settle in their new community as quickly and as successfully as possible.

The Programme includes the distribution of a “welcome kit” to every new resident that includes transport timetables, a phone book, information on local council services, shopping

and recreational facilities and a range of other useful information. In some cases, a Community Welcome Facilitator is on hand to organise community events, welcome new residents and to make them feel at home.

Originally set up for selected areas in Sydney’s southwestern suburbs, the Community Welcome Programme has been extended to a range of new Landcom estates, including the Guardian Grove, Forest Glade and Jacaranda Rise estates in Sydney’s northwest.

The residents of the Watanobbi Estate on the NSW Central Coast became the first community

outside Sydney to benefit from the Programme, following the development of a unique partnering arrangement between Landcom and Wyong Shire Council. In the Watanobbi Estate, particular attention is being given to the special needs of families moving into the Estate from Sydney, as they may be unfamiliar with the area and remote from family support and friends.

In the near future, Landcom in conjunction with its private sector partner Mirvac, plans to introduce a new Welcome Programme for the huge Newbury Estate. Furthermore, a commitment to ongoing community development/

consultation and the introduction of Welcome Programmes has now been included as an essential requirement for all future joint venture partnerships with Landcom.

COMMUNITY SPONSORSHIP INITIATIVES Landcom takes an active role in building communities by providing financial and organisational support for a number of community initiatives through its Community Sponsorship Programme. While the focus is primarily on the development and improvement of recreational facilities, Landcom also sponsors a wide variety of community events.

Throughout 2001/2002, Landcom supported a range of initiatives, including the Regional North West Carols by Candlelight, the Maitland Annual Spring Garden Festival, Mothers Day in the Mount Annan Botanic Gardens and the Tilligerry and Districts Little Athletics Centre. Landcom also handed over the Wentworth Cottage Park at Shellharbour to Shellharbour City Council after embellishing it for community use.

ENVIRONMENTAL INITIATIVES

Landcom's dedication to the principles of sustainability has been attracting increased interest in recent years.

Landcom believes that sustainability and financial viability are not mutually exclusive, but rather can be strongly interdependent.

During 2001/2002, Landcom put in place a number of initiatives, including:

- Innovations in water cycle management within Landcom estates;
- A commitment to the introduction of sustainable energy technologies;
- The introduction of training of onsite contractors in responsible environmental management; and
- The introduction of Triple Bottom Line Reporting throughout Landcom.

INNOVATIONS IN WATER CYCLE MANAGEMENT

The uncontrolled discharge of stormwater runoff into rivers and streams is a major source of pollution in cities and towns. Landcom has been at the forefront of introducing new technologies throughout its estates, designed to both

manage and treat stormwater at the source, before releasing it into the surrounding drainage system.

Typical of these initiatives is Landcom's vision for managing the stormwater cycle at Victoria Park, a landmark residential and commercial development currently under construction in Sydney's inner south. Previously known as the Waterloo Swamp, this site was once a wetland that cleansed and detained water flowing through the site before it reached the stormwater system. Landcom's aim is to carefully manage the water cycle onsite so that it mirrors, as closely as possible, the characteristics of this former wetland.

With this in mind, new and innovative technologies have been introduced, such as bio-retention swales, an electromagnetic filtration system and macrophytes. These technologies are either natural or non-chemically-based and are being used in addition to conventional techniques such as gross pollutant traps. They are specifically designed to improve the quality of water leaving the site.

In order to control the quantity of water flowing through and from the site, a community-based stormwater system incorporating 3.7 hectares of parkland has been developed for Victoria Park which, as well as detaining stormwater, also provides the community with open space to enjoy.



“Landcom’s commitment to the promotion of responsible environmental management extends to its joint venture partners and onsite civil contractors”

SUSTAINABLE ENERGY

TECHNOLOGIES Landcom has commissioned a consortium of industry experts to assist in developing strategies to reduce reliance on non-renewable energy sources, such as coal-generated electricity. Landcom’s aim is to ease existing demands on electricity infrastructure and, in a broader sense, to make a real and quantifiable contribution towards lowering greenhouse gas emissions.

This initiative supports the State Government’s recent move to regulate power retailers by requiring them to reduce greenhouse gas emissions by 5% on a per capita basis by 2007.

The consortium will investigate a variety of Australian and international sustainable energy technologies (SETs) initiatives. This project is expected to have far-reaching implications for future Landcom developments and will identify any constraints posed by the use of SETs and the strategies to overcome them. Landcom has insisted that the consortium delivers practical, cost effective solutions that can and will be used by other industry players.

TRAINING IN RESPONSIBLE ENVIRONMENTAL

MANAGEMENT Landcom’s commitment to the promotion of responsible environmental management extends to its joint venture partners and onsite civil contractors. This includes

ensuring that all parties involved in site works and construction on Landcom projects are aware of their environmental compliance obligations.

When Landcom was unable to find an appropriate environmental training programme for civil contractors and builders working on its sites, it decided to go out and create its own.

Working with Macquarie Research Limited and assisted by a working group made up of the Housing Industry Association and the Civil Contractors Federation, Landcom has developed a short course for onsite operators, including all associated training booklets and resources.

The training programme is being progressively introduced across the organisation and will eventually become a pre-requisite for all contractors and builders nominated to work on Landcom projects.

TRIPLE BOTTOM LINE

REPORTING Assessment of performance in purely financial terms has traditionally been recognised as the main measure of an organisation’s success. However, Landcom, in line with many other organisations, has come to appreciate that this is no longer sufficient.

Triple Bottom Line reporting (TBL) broadens the range of indicators used to measure an organisation’s performance by

also reporting on its environmental, social and economic/financial performance. Landcom has taken up the challenge of introducing TBL reporting across the organisation throughout 2002, demonstrating its commitment to the creation of better communities and environmental sustainability, its objective of providing greater housing diversity and its attention to stakeholder consultation.

As part of this process, Landcom conducted a number of consultation sessions with key stakeholders throughout 2001 and 2002 to secure a better understanding of the range of performance measures to be applied as well as the role and

ENVIRONMENTAL INITIATIVES

“Landcom’s environmental initiatives are attracting increased recognition throughout government, the community and the development industry”

direction that Landcom should take to implement TBL reporting. The message was that Landcom should use TBL reporting to demonstrate the lead role it has taken in the development industry in promoting sustainability.

A “Towards Sustainability” report will be produced for 2001/2002 and a full Triple Bottom Line Report will be produced and made publicly available for the 2002/2003 financial year and then annually thereafter.

INCREASED RECOGNITION

Landcom’s environmental initiatives are attracting increased recognition throughout government, the community and the development industry.

THE BANKSIA AWARD

In recognition of its overall contribution to sustainability, Landcom was recently awarded the Banksia Award for “Government Leading by Example”, one of the most prestigious honours of its kind in Australia. Awarded by the highly respected Banksia Environment Foundation, this national award acknowledges Landcom’s achievements in promoting environmental sustainability by making it a key feature of its partnering arrangements with the private sector.

AWARDS FOR THE ENERGY

EFFICIENT HOME Landcom’s Melaleuca Estate at Metford in the Hunter Region features an “Energy Efficient Home” specifically constructed to demonstrate the principles of environmentally sustainable design. The Energy Efficient Home has received several awards, including:

- The Housing Industry Association (NSW) Energy Efficient Home of the Year;
- The Master Builders Association (National) Environment and Energy Efficiency Award for Homes under \$500,000;
- The Master Builders Association (Newcastle) Excellence in Building Award (Project Homes over \$150,000) and the Judges Award for Energy Efficiency;

- The Housing Industry Association (Hunter and Central Coast) Housing Award for Energy Efficient Housing; and
- A Special Commendation in the Urban Development Institute of Australia (NSW) Energy Efficiency Category.

FINANCIAL STATEMENTS

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GPO BOX 12
SYDNEY NSW 2001

INDEPENDENT AUDIT REPORT

LANDCOM

To Members of the New South Wales Parliament

Scope

I have audited the accounts of Landcom for the year ended 30 June 2002. The Directors of the Corporation are responsible for the financial report consisting of the accompanying statement of financial position, statement of financial performance and statement of cash flows, together with the notes thereto, and the information contained therein. My responsibility is to express an opinion on the financial report to Members of the New South Wales Parliament based on my audit as required by the *State Owned Corporations Act 1989* and the *Public Finance and Audit Act 1983* (the PF&A Act).

My audit has been conducted in accordance with statutory requirements and Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. My procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates.

These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory reporting requirements, in Australia, so as to present a view which is consistent with my understanding of the Corporation's financial position, the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In my opinion, the financial report of Landcom complies with section 41B of the PF&A Act, other statutory reporting requirements and presents fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements the financial position of the Corporation at 30 June 2002 and the results of its operations and its cash flows for the year then ended.

L I White FCA
Assistant Auditor-General

SYDNEY
30 September 2002

LANDCOM

DIRECTORS' DECLARATION

In the opinion of the Directors of Landcom:

(a) the Financial Statements:

- (i) exhibit a true and fair view of the financial position of Landcom as at 30 June 2002 and of their performance, as represented by the results of their operations and their cash flows for the year ended on that date;
- (iii) comply with applicable Accounting Standards, Urgent Issues Group Consensus Views and other mandatory and statutory reporting requirements including Part 3 of the Public Finance and Audit Act 1983 and the associated requirements of the Public Finance and Audit Regulation 2000.

(b) there are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they fall due.

Signed in accordance with a resolution of the Directors:

W J Kirkby-Jones
Chairman

S O'Toole
Managing Director

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2002

	Notes	2002 \$'000	2001 \$'000
Sales revenue		214,503	152,923
Cost of sales		(104,995)	(69,351)
Gross Profit		109,508	83,572
Share of net profit of joint ventures accounted for using the equity method	10	9,171	4,706
Other revenue from ordinary activities	2	8,900	10,587
Marketing expense	3	(3,369)	(5,791)
Other expenses from ordinary activities	4	(27,706)	(20,328)
Borrowing costs expense	5	(16,244)	(16,809)
Profit from ordinary activities before income tax equivalent expense		80,260	55,937
Income tax equivalent expense		(24,078)	(19,018)
Net profit		56,182	36,919
Total changes in equity other than resulting from transactions with owners as owners	17	56,182	36,919

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

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2002

	Notes	2002 \$'000	2001 \$'000
Current Assets			
Cash assets	6	133,967	79,680
Receivables	7	38,746	27,812
Inventories	8	157,647	117,546
Total Current Assets		330,360	225,038
Non Current Assets			
Inventories	8	259,601	242,629
Property, plant and equipment	9	4,064	2,825
Investments accounted for using the equity method	10	34,203	32,600
Total Non Current Assets		297,868	278,054
Total Assets		628,228	503,092
Current Liabilities			
Payables	11	50,497	56,259
Interest-bearing liabilities	13	117,101	46,073
Provisions	12	59,810	30,390
Other	14	53	–
Total Current Liabilities		227,461	132,722
Non Current Liabilities			
Payables	11	6,456	6,400
Interest-bearing liabilities	13	108,025	180,590
Provisions	12	4,111	2,445
Other	14	199	–
Total Non Current Liabilities		118,791	189,435
Total Liabilities		346,252	322,157
Net Assets		281,976	180,935
Equity			
Contributed equity	15	275,847	259,510
Reserve	16	–	238
Retained profits/(accumulated losses)	17	6,129	(78,813)
Total Equity		281,976	180,935

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2002

	Notes	2002 \$'000	2001 \$'000
Cash Flows from Operating Activities			
Receipts from customers		221,626	161,004
Interest received		4,989	6,779
Other receipts		14,019	10,864
Payments to creditors and employees		(167,329)	(180,275)
Income tax equivalent paid		(24,612)	(28,622)
Interest paid		(17,421)	(18,274)
Other payments		(8,958)	(2,055)
Net Cash Provided by/(Used in) Operating Activities	18b	22,314	(50,579)
Cash Flows from Investing Activities			
Proceeds from sale of property, plant and equipment		749	28
Distributions from joint ventures		17,772	2,745
Payments for investments in joint venture entities		(10,274)	(9,137)
Purchase of plant and equipment		(2,468)	(1,041)
Net Cash Provided by/(Used in) Investing Activities		5,779	(7,405)
Cash Flows from Financing Activities			
Dividends to NSW Treasury		(6,500)	(25,839)
Net Cash Used in Financing Activities		(6,500)	(25,839)
Net Increase/(Decrease) in Cash Held		21,593	(83,823)
Cash at the Beginning of the Financial Year		79,680	163,503
Cash transferred in from MDC		32,694	—
Cash at the End of the Financial Year	18a	133,967	79,680

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2002

REPORTING ENTITY

Landcom is a NSW statutory State-Owned Corporation established on 1 January 2002 by Landcom Corporation Act 2001 (the Act). In accordance with a ministerial order issued on 21 December 2001 under sections 17 and 18 of the Act, the following were transferred to Landcom at the carrying values at 31 December 2001:

- 1 Assets, rights and liabilities of the NSW Land and Housing Corporation "the former Landcom".
- 2 Assets, rights and liabilities of the Ministerial Development Corporation.
- 3 Staff relating to the former Landcom who were employees of the Department of Urban Affairs and Planning to Landcom.
- 4 All employee entitlements relating to long service leave entitlements.

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

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

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

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION OF THE ACCOUNTS

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

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

1.2 REPORTING PERIOD AND COMPARATIVES

In accordance with the Public Finance and Audit Act 1983, the NSW Treasurer granted an exemption from preparing financial statements for the former Landcom for the six months ended 31 December 2001. This financial report covers the results of operations of the former Landcom from 1 July 2001 to 31 December 2001 and Landcom and the former Ministerial Development Corporation from 1 January 2002 to 30 June 2002.

1.3 REVENUE RECOGNITION

Land sales are recognised on settlement of a legally binding contract and receipt of the agreed settlement price.

Interest is accrued in accordance with the set terms and conditions.

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

1.4 EXPENDITURE RECOGNITION

Operating and working expenses are expensed in the year in which they are incurred. Where they are directly attributable to the management of construction contracts, a proportion is capitalised to land under development (works in progress). (Note 1.8 refers).

1.5 EMPLOYEE ENTITLEMENTS

All liabilities for employee entitlements are fully provided for in accordance with the accounting standards (refer to note 12). Employee entitlements applicable to Landcom are shown below.

Salaries and Annual Leave

Liabilities for salaries and annual leave are calculated at nominal amounts based on current remuneration rates existing at the reporting date. The amount reported as a liability represents the amount which Landcom has a present obligation to pay employees for salaries and annual leave resulting from employees' services provided up to the reporting date.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2002

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.5 EMPLOYEE ENTITLEMENTS (continued)

Non-Vesting Sick Leave

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

Long Service Leave

Long service leave is measured on a nominal basis. The nominal method is based on the remuneration rates at year end for all employees with five or more years of service. It is considered that this measurement technique produces results not materially different from the estimate determined by using the present value basis of measurement.

Superannuation

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

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

Redundancy Payments

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

Payroll Tax

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

1.6 INSURANCE

Landcom carries a comprehensive range of insurances covering property, public liability, motor vehicles and other contingencies through the Treasury Managed Fund. These insurance policies are reviewed annually to ensure that they are adequate and were current at 30 June 2002.

No major claims exist under these policies at 30 June 2002.

1.7 LEASES

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

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

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

1.8 CAPITALISATION OF EXPENSES – DEVELOPMENT COSTS AND COST OF SALES

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

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

Interest payable on new borrowings in the first 12 months of the loans is capitalised in the cost of land only, with the interest payable for the remaining life of the loans being charged against revenue. The assumption is that the land development cycle takes an average of 12 months, after which the land is revenue producing by way of sale or being moved into construction projects.

1.9 INCOME TAX EQUIVALENT EXPENSE

Landcom is subject to notional taxation in accordance with the State-Owned Corporations Act 1989. An "equivalent" or "notional tax" is payable to the NSW Government through the Office of State Revenue. NSW Treasury has granted an exemption from applying the tax effect accounting from 1 January 2002 and

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2002

determined that income tax is calculated on operating profit. From 1 July 2002 taxation liability will be assessed according to the National Tax Equivalent Regime of the NSW Treasury, which proposes as far as practical the adoption of the Commonwealth Income Tax Assessment Act 1936 (as amended) as the basis for determining taxation liability and, therefore, the adoption of tax effect accounting.

1.10 DIVIDENDS TO THE NSW TREASURY

Landcom is required to pay dividends to the Consolidated Fund of NSW Treasury in accordance with the State-Owned Corporations Act 1989.

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 Australian Taxation Office is included as part of receivables or payables.

1.12 CASH

Cash comprises cash on hand and at the bank. Interest is earned on daily bank balances and is taken to revenue on an accrual basis.

1.13 CASH EQUIVALENT ASSETS

Landcom placed funds on deposit with NSW Treasury Corporation (TCorp). These funds are invested in the Hour-Glass Facility Trusts and can be redeemed at short notice. The value that best represents the maximum credit risk exposure is the net fair value.

1.14 RECEIVABLES

All trade receivables are recognised as amounts receivable at balance date. Collectability of trade receivables is reviewed on an ongoing basis. Receivables, which are known to be uncollectable, are written off. The credit risk is the carrying amount (net of any provision for doubtful debts). The carrying amount approximates the net fair value. Interest is charged on overdue settlement monies where agreed settlement dates are not met. The rate of interest applied during the year varied from 10.7% to 10.95%. Sales are made on varying terms, but generally on a 30 day exchange and 30 day settlement basis.

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

1.15 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 works in progress while it is under development, that is, from the time contracts are signed for work to proceed. Developed land is land which has been subdivided and registered on completion of all development activity. Developed land and work in progress are expected to be sold within the next 12 months. As the process of development progresses, land projects are reclassified from undeveloped land to work in progress, then, on completion, to developed land for sale.

1.16 INVENTORIES – LAND VALUATION

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

1.17 LAND, BUILDINGS AND LEASEHOLD IMPROVEMENTS

Land and buildings are revalued every five years in accordance with Treasury guidelines. The last revaluation was performed in June 1999 by a certified practising valuer and was determined in accordance with independent valuations. These values were based on land and building sales in the areas in which these properties are located. Buildings are depreciated over 14 years.

Leasehold improvements are amortised over the unexpired period of the lease term.

1.18 PLANT AND EQUIPMENT

Plant and equipment are recorded at the cost of acquisition, plus major renovation or improvement costs, if any and are shown at cost less accumulated depreciation. Depreciation on all plant and equipment is calculated on the basis of the useful life of the asset to Landcom using the straight-line method.

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

Computer equipment is 4 years.

Office equipment is 6 years.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2002

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.19 PAYABLES

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

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

1.20 INTEREST-BEARING LIABILITIES

All borrowings are recorded at face value less any premium or discounts. Premium or discounts are amortised over the life of the borrowings and charged to the Statement of Financial Performance. Interest expense is recognised on an accrual basis.

1.21 DERIVATIVES

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

1.22 LEASE LIABILITIES

Landcom's office accommodation lease agreement was entered in 2001-02 to include a six months rent free period. The liability recognised in respect of this lease incentive is calculated for a rent free period of six months in the year and is reduced by allocating future rental payments between rental expense and reduction of the liability.

1.23 FINANCIAL INSTRUMENTS

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

Information is disclosed in Note 19, in respect of the credit risk and interest rate risk of financial instruments. All such amounts are carried at net fair value unless otherwise stated. Landcom's debt portfolio is managed by TCorp, the appointed debt management contractor.

1.24 JOINT VENTURES

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

1.25 REVALUATION OF NON-CURRENT ASSETS

In accordance with NSW Treasury policy, Landcom has applied AASB41 "Revaluation of Non-Current Assets" transitional arrangements for the public sector and has elected to apply the same revaluation basis as the preceding reporting period, while the relationship between fair value and the existing valuation basis in the NSW public sector is further examined. It is expected, however, that in most instances the current valuation methodologies will approximate fair value.

1.26 PROVISIONS

The provision to complete projects captures all unpaid development costs, which were included in the original land development schedule. It is raised as an estimate based on known costs at the time when the land is ready for sales release.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2002

	2002 \$'000	2001 \$'000
2 OTHER REVENUE FROM ORDINARY ACTIVITIES		
Interest from investments	4,414	6,510
Interest from late settlement	463	147
Management fee – Crown Lands Homesites Program	1,020	1,601
Management fee – Ministerial Development Corporation	504	1,182
Other management fees	1,103	420
Rental income	261	282
Other	386	417
Proceeds on sale of assets	749	28
	8,900	10,587
3 MARKETING EXPENSES		
Advertising	2,703	3,559
Sales contractors and commission	516	1,264
Other	150	968
	3,369	5,791
4 OTHER EXPENSES FROM ORDINARY ACTIVITIES		
Salaries and other staff costs	9,857	7,812
Employees' entitlements		
Superannuation	1,280	657
Long service leave	349	298
Recreation leave	(26)	90
General administrative costs	6,736	6,364
State taxes		
Land tax	8,521	6,181
Stamp duty	(35)	38
Grant to Department of Urban Affairs and Planning	–	1,950
Grant to Heritage Office	–	250
Grant to South Sydney Development Corporation	–	200
Project costs written off	4,954	467
Property and accommodation expenses	1,016	952
Consultancy fees	888	1,020
Auditors remuneration – audit financial statements	115	102
Depreciation and amortisation	730	780
Written down value of assets disposed	513	6
	34,898	27,167
Less: Transfer of capitalised costs to inventories	7,192	6,839
	27,706	20,328

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2002

	2002 \$'000	2001 \$'000
5 BORROWING COSTS		
Interest	13,690	14,719
Amortisation of loan premium	(1,537)	(2,095)
Government guarantee fee	4,091	4,185
	16,244	16,809
6 CASH ASSETS		
Cash	35,415	28,050
Cash equivalent assets – Hour-Glass Facility Trusts	98,552	51,630
	133,967	79,680
7 RECEIVABLES		
Current		
Trade receivables	4,338	4,569
Crown Lands Homesites Program	162	74
NSW Treasury Corporation	1,011	949
Accrued interest	100	117
Development bonds	178	239
Prepayments	32,005	20,696
Other	74	387
Joint venture receivables	878	781
	38,746	27,812
8 INVENTORIES		
Current		
Works in progress of land at cost	109,546	66,625
Developed land at cost	48,101	50,921
	157,647	117,546
Non Current		
Undeveloped land at cost	259,601	242,629
Land held for resale	417,248	360,175
Details of land held for resale are:		
Acquisition costs	235,662	183,114
Development costs	151,149	146,526
Other costs	30,437	30,535
	417,248	360,175

Includes \$7 million of contracts where construction work not yet commenced prior to year end (refer to Note 1.26).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2002

	2002 \$'000	2001 \$'000
9 PROPERTY, PLANT AND EQUIPMENT		
Land		
At cost	38	38
At valuation	399	766
	437	804
Buildings		
At cost	361	361
At valuation	405	505
Accumulated depreciation at cost	(64)	(38)
Accumulated depreciation at valuation	(116)	(109)
	586	719
Leasehold Improvements		
At cost	1,929	835
Accumulated depreciation at cost	(102)	(787)
	1,827	48
Plant and Equipment		
At cost	4,218	3,985
Accumulated depreciation at cost	(3,004)	(2,731)
	1,214	1,254
Total Property, Plant and Equipment at Net Book Value	4,064	2,825

Reconciliations

	Land \$'000	Buildings \$'000	Leasehold Improvements \$'000	Plant and Equipment \$'000	Total \$'000
2002					
Carrying Amount at 1 July 2001					
At cost	38	323	48	1,254	1,663
At valuation	766	396	–	–	1,162
Additions	–	–	1,911	571	2,482
Disposals	(367)	(72)	(28)	(46)	(513)
Depreciation expense	–	(61)	(104)	(565)	(730)
Carrying amount					
At cost	38	297	1,827	1,214	3,376
At valuation	399	289	–	–	688
Total	437	586	1,827	1,214	4,064

As the operating lease on the premises at 1 Fitzwilliam Street terminated at 31 March 2002, leasehold improvements to that property have been fully amortised to 31 March 2002.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2002

		2002 \$'000	2001 \$'000
10 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD			
Name of Joint Venture Entity	Principal Activity	Ownership Interest	
Blacksmiths Project Joint Venture	Development for retail sales	50	50
East Fairfield Project Joint Venture	Development for retail sales	50	50
Jannali Joint Venture	Development for retail sales	50	50
Kings Bay Five Dock Project	Development for retail sales	50	50
Oatlands Project Joint Venture	Development for retail sales	50	50
Quakers Hill Project Joint Venture	Development for retail sales	50	50
West Pennant Hills Project Joint Venture	Development for retail sales	50	50
Zetland Joint Venture	Development for retail sales	50	50

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

	2002 \$'000	2001 \$'000
Movement in Investment in Joint Venture Entities		
Carrying amount of investment at the beginning of the financial year	32,600	21,497
Adjustments to opening retained profits	(217)	—
Equity accounted amount of investment at the beginning of the financial year	32,383	21,497
Share of net profit	9,171	4,706
Acquisition of additional interest in joint venture entities	10,421	9,142
Distribution from joint venture entities	(17,772)	(2,745)
Equity accounted amount of investment at the end of the financial year	34,203	32,600

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2002

	2002 \$'000	2001 \$'000
Share of Assets and Liabilities of Joint Entities		
Current Assets		
Cash	3,747	1,376
Receivables	4,203	3,570
Inventories	30,569	22,160
Non Current Assets		
Inventories	–	10,346
Property, plant & equipment	2	3
Current Liabilities		
Payables	3,584	1,053
Provisions	512	345
Interest-bearing liabilities	167	–
Other	55	–
Non Current Liabilities		
Interest-bearing liabilities	–	3,457
Net Assets	34,203	32,600
Share of Net Profit of Joint Venture Entities		
Revenue from ordinary activities	43,156	39,631
Expenses from ordinary activities	(33,985)	(34,925)
Profit from ordinary activities before income tax	9,171	4,706
Income tax equivalent attributable to operating profit	(2,751)	(1,600)
Net Profit	6,420	3,106
Landcom's share of the expenditure commitments and contingent liabilities of joint venture entities are disclosed in Notes 20 and 21 respectively.		
11 PAYABLES		
Current		
Trade payables	26,165	31,294
Project revenue in advance	2,044	1,600
Trust funds and deposits held	5,474	6,533
Accrued expenses	15,771	16,398
Retentions	895	434
Joint venture payables	148	–
	50,497	56,259
Non Current		
Project revenue in advance	6,456	6,400
	6,456	6,400

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2002

	2002 \$'000	2001 \$'000
12 EMPLOYEE ENTITLEMENTS AND OTHER PROVISIONS		
Employee Entitlements – Current		
Provision for annual leave	834	855
Superannuation defined benefit schemes accrual	820	–
Other	112	489
	1,766	1,344
Employee Entitlements – Non Current		
Provision for long service leave	2,385	–
	2,385	–
Total Employee Entitlements	4,151	1,344
Other Provisions – Current		
Provision to complete projects	15,379	13,722
Provision for income tax equivalent	8,561	6,824
Provision for distribution to NSW Treasury	32,104	6,500
Provision for future rectification works	2,000	2,000
	58,044	29,046
Other Provisions – Non Current		
Provision for future rectification works	1,726	2,445
	1,726	2,445
Total Current and Non Current Liabilities		
Current Liability	59,810	30,390
Non Current Liability	4,111	2,445
	63,921	32,835
The superannuation defined benefit schemes accrual represents an estimate of the liability that is payable by Landcom to maintain each scheme Fully funded. On Landcom's corporatisation on 1 January 2002, funding responsibility for the schemes was transferred to Landcom on a fully funded basis from the Crown. An actuarial valuation on Landcom's new account with the Superannuation Trustee Corporation on 30 June 2002 was not available because the account was still being established. The estimate taken up is based on actuarial advice of future funding percentages required for each scheme and the impact of an investment loss incurred for the six months to 30 June 2002.		
13 INTEREST-BEARING LIABILITIES		
Unsecured loans at face value	222,568	222,568
Unamortised premiums	2,558	4,095
	225,126	226,663

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2002

	2002 \$'000	2001 \$'000
14 OTHER		
Lease Incentive:		
Current liability	53	–
Non current liability	199	–
	252	–

15 CONTRIBUTED EQUITY

Balance at the beginning of financial year	259,510	259,510
Transfer of reserve at 31 December 2001	238	–
Accumulated losses at 31 December 2001	(61,081)	–
Increase in net assets from equity transfers	77,180	–
	275,847	259,510

Accumulated losses and reserves are for the former Landcom up to 31 December 2001 transferred to Landcom on corporatisation.

Included in contributed equity is issued capital of two \$1 ordinary shares held by the Treasurer and the Special Minister for State.

Increase in net assets from equity transfers represents the transfer at book value of the assets and liabilities from the Ministerial Development Corporation on 1 January 2002.

	1 January 2002 Book Value \$'000
Assets	
Cash assets	32,694
Receivables	319
Inventories	45,022
Total Assets	78,035
Liabilities	
Payables	654
Provisions	201
Total Liabilities	855
Net assets transferred	77,180

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2002

	2002 \$'000	2001 \$'000
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16 RESERVE

Asset Revaluation

At 1 July 2001	238	238
Transfer to contributed equity at 31 December 2001 (see Note 15)	(238)	–
	–	238

17 RETAINED PROFITS/(ACCUMULATED LOSSES)

Accumulated losses at beginning of financial year	(78,813)	(83,393)
Net profit	56,182	36,919
Adjustments to opening retained profits from joint ventures	(217)	–
Transfer to contributed equity at 31 December 2001 (see Note 15)		
Accumulated losses at the beginning of financial year	78,813	–
Less: net profit after tax and dividend at 31 December 2001	(17,732)	–
Total	61,081	–
Dividends to NSW Treasury	(32,104)	(32,339)
Balance at end of financial year	6,129	(78,813)

18 STATEMENT OF CASH FLOWS

a) For the purposes of the Statement of Cash Flows, cash includes cash assets. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Cash Assets	133,967	79,680
b) Reconciliation of net cash provided by operating activities to net profit:		
Net profit from ordinary activities after income tax equivalent	56,182	36,919
Depreciation and amortisation	730	780
(Profit)/loss from sale of plant	(236)	(22)
Write down premium on loans	(1,537)	(2,095)
Share of joint venture entities profit	(9,171)	(4,706)
Change in Assets and Liabilities		
Increase/(decrease) in provision	5,482	(5,761)
Increase/(decrease) in payables	(6,072)	(4,137)
(Increase)/decrease in receivables	(10,736)	(20,994)
(Increase)/decrease in inventory	(12,328)	(50,563)
Net Cash Provided by/(Used in) Operating Activities	22,314	(50,579)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2002

19 FINANCIAL INSTRUMENTS

(This note is to be read in conjunction with Note 1.23.)

a) Interest Rate Risk

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

b) Credit Risk

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

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

Financial Instrument	Notes	Floating Interest Rate Rate \$'000	Fixed interest rate maturing in:				Non Interest Bearing \$'000	Carrying Amount as per the Statement of Financial Position \$'000
			1 year or less \$'000	Over 1, but not later than 2 years \$'000	Over 2, but not later than 5 years \$'000	More than 5 years \$'000		
2002								
Financial Assets								
Cash assets	6,18	133,949					18	133,967
Receivables	7						6,741	6,741
Total Financial Assets		133,949					6,759	140,708
Weighted average interest rate		4.35%						
Financial Liabilities								
Interest bearing	13	45,744	71,357	77,442	30,583			225,126
Payables	11						31,787	31,787
Total Financial Liabilities		45,744	71,357	77,442	30,583		31,787	256,913
Weighted average interest rate		4.83%	5.50%	5.43%	5.93%			
Net Financial Assets/(Liabilities)		88,205	(71,357)	(77,442)	(30,583)		(25,028)	(116,205)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2002

Financial Instrument	Notes	Floating Interest Rate \$'000	Fixed interest rate maturing in:				Non Interest Bearing \$'000	Carrying Amount as per the Statement of Financial Position \$'000
			1 year or less \$'000	Over 1, but not later than 2 years \$'000	Over 2, but not later than 5 years \$'000	More than 5 years \$'000		
19 FINANCIAL INSTRUMENTS (CONTINUED)								
2001								
Financial Assets								
Cash assets	6,18	79,675					5	79,680
Receivables	7						7,116	7,116
Total Financial Assets		79,675					7,121	86,796
Weighted average interest rate		5.77%						
Financial Liabilities								
Interest bearing	13	16,698	29,375	68,797	111,793			226,663
Payables	11						37,827	37,827
Total Financial Liabilities		16,698	29,375	68,797	111,793		37,827	264,490
Weighted average interest rate		5.10%	5.18%	5.50%	5.57%			
Net Financial Assets/(Liabilities)		62,977	(29,375)	(68,797)	(111,793)		(30,706)	(177,694)

c) Net Fair Value

As stated in Note 1, all financial instruments are carried at net fair value, unless stated otherwise. The aggregate net fair values of financial assets and financial liabilities carried at balance date are as follows:

	2002 Carrying Amount \$'000	2002 Net Fair Value \$'000	2001 Carrying Amount \$'000	2001 Net Fair Value \$'000
On Statement of Financial Position				
Financial Instruments				
Financial assets				
Cash	133,967	133,967	79,680	79,680
Receivables	6,741	6,741	7,116	7,116
Total Financial Assets	140,708	140,708	86,796	86,796
Financial liabilities				
Payables	31,787	31,787	37,827	37,827
Interest bearing	225,126	227,659	226,663	228,536
Total Financial Liabilities	256,913	259,446	264,490	266,363
Net Financial Liabilities	(116,205)	(118,738)	(177,694)	(179,567)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2002

d) Derivatives

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

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

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

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

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

Net Exposure

The market value of Landcom's transaction in derivative financial instruments outstanding at 30 June 2002 is as follows:

	2002 \$'000	2001 \$'000
Derivative Financial Instruments Receivable:		
Loan receivable from TCorp	955	895
Net Amount Receivable under Derivative Financial Instruments	955	895

20 EXPENDITURE COMMITMENTS

a) Expenditure Commitments

Aggregate expenditure for land development contracted for at balance date but not provided for:

Not later than one year	72,930	50,165
Later than one year but not later than five years	17,834	16,006
Later than five years	8,181	5,610
Total (including GST)	98,945	71,781

The total expenditure commitments above includes input tax credits of \$9 million that are expected to be recoverable from the ATO (30 June 2001 – \$6.5 million).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2002

	2002 \$'000	2001 \$'000
20 EXPENDITURE COMMITMENTS (CONTINUED)		
Share of Joint Venture Entities' Expenditure Commitments		
Aggregate expenditure for land development contracted for at balance date but not provided for:		
Not later than one year	6,491	12,869
Later than one year but not later than five years	110	1,466
Later than five years	–	–
Total (including GST)	6,601	14,335

The total expenditure commitments above includes input tax credits of \$0.6 million that are expected to be recoverable from the ATO (30 June 2001 – \$1.3 million).

b) Operating Lease Commitments

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

Not later than one year	678	832
Later than one year but not later than five years	2,318	688
Later than five years	292	–
Total (including GST)	3,288	1,520

The total lease expenditure commitments above includes input tax credits of \$299,000 that are expected to be recovered from the ATO (30 June 2001 – \$138,000).

There are no lease commitments arising from joint venture entities.

21 CONTINGENT LIABILITIES

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

- The cost of remediation of the Zetland site. This is capped at a maximum of \$5M payable for remediation costs by Landcom. Any savings between the ceiling of \$5m and the actual cost to remediate will be refunded to the Department of Defence. The contract also provides for the Department of Defence to share in savings for hydraulic infrastructure.
- The Kings Bay Five Dock Project is being debt funded through the joint venture partner. Landcom has executed two takeout agreements that have a possible forward contingent liability. In return, Landcom would receive property to an estimated value of the liability, if ever the takeout agreement is effected. The project is proceeding satisfactorily and therefore the contingent liability is considered remote in most instances.
- The Oatlands Joint Venture Project is being debt funded through the joint venture partner. Landcom has executed a takeout agreement that has a possible forward contingent liability. In return, Landcom would receive property to an estimated value of the liability, if ever the takeout agreement is effected. The project is proceeding satisfactorily and therefore the contingent liability is considered remote in most instances.
- Landcom has commenced Stanhope Gardens Development Project. The contract contains certain indemnities and liabilities in the event of forced termination by either party. The contingent liability if the termination should occur is valued at the total land development costs and the building costs properly incurred by the contractor. In return, Landcom would receive property to an estimated total value of the liability. As early termination is considered remote no attempt has been made to estimate the contingent liability.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2002

e) Road repairs are required to Landcom constructed roads that have now failed in the Narellan release area. A letter from the Director of Housing in October 1988 guaranteed that the Department would undertake repairs of any major structural failures for a period of 20 years. The cost is not quantifiable at this stage.

f) Landcom has six public liability claims outstanding with a total upper limit of \$2,340,000.

There are no contingent liabilities arising from joint venture entities.

22 DIRECTORS' REMUNERATION

The number of Directors of the current Landcom Board from 1 January 2002 and the previous advisory board during the financial year whose income from Landcom or any other related party falls within the following bands:

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

Fees paid or payable to Board directors during the year amounted to \$233,836.

23 RELATED PARTY TRANSACTIONS

a) Directors

The Directors of both the current Landcom board and previous advisory board during the financial year were:

William Kirkby-Jones (Chairman)

Sean O'Toole (Managing Director)

Neil Bird (Deputy Chairman)

Penny Morris

Cathryn Ingram

Chris Carroll (appointed to Landcom Board on 1 January 2002)

Gae Raby (appointed to Landcom Board on 1 January 2002)

Kim Hawtrey (member of the previous advisory board from July 2001 to December 2001).

Remuneration received or receivable by Directors of each entity is disclosed in Note 22. All transactions by Landcom with Director-related entities are conducted on an arm's length basis in the normal course of business and on commercial terms and conditions.

END OF AUDITED FINANCIAL STATEMENTS

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CORPORATE DIRECTORY

ACCESS

LANDCOM OFFICE LOCATIONS

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

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

HEAD OFFICE

Landcom

Riverbank Corporate Centre
Level 2, 330 Church Street
Parramatta NSW 2150
PO Box 237
Parramatta NSW 2124

Phone (02) 9841 8600
Fax (02) 9841 8688

Email
enquiry@landcom.nsw.gov.au
Website
www.landcom.nsw.gov.au

OTHER OFFICES

Newcastle

Level 4, Suite G,
251 Wharf Road,
Newcastle NSW 2300
PO Box 33
Newcastle NSW 2300

Phone (02) 4929 4977
Fax (02) 4929 4034

Campbelltown

Landcom Commercial
1 Bolger Street
Campbelltown NSW 2560
PO Box 88
Campbelltown NSW 2560

Phone (02) 4625 8055
Fax (02) 4625 7179

Zetland

100 Joynton Avenue
Zetland NSW 2017

Phone (02) 9697 0022
Fax (02) 9697 0322

