

LIB/04315



ANNUAL REPORT
2004

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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

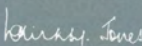
The Hon John Deila Bosca, MLC
Special Minister of State, Minister
for Commerce, Minister for Industrial
Relations, Assistant Treasurer and
Minister for the Central Coast
Level 30, Governor Macquarie Tower
1 Farrer Place Sydney NSW 2000

30 October 2004

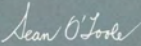
Dear Ministers,
We are pleased to submit to you, for presentation to the
Parliament of New South Wales, the Landcom Annual Report for
the year ended 30 June 2004.

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

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



WILLIAM KIRKBY JONES
CHAIRMAN



SEAN O'TOOLE
MANAGING DIRECTOR

LANDCOM MAKES A DIFFERENCE BY DEMONSTRATING THAT
GOVERNMENT POLICIES, COMMUNITY NEEDS, ASPIRATIONS AND
PRACTICAL OUTCOMES CAN BE ACHIEVED WHILE STILL ACCOMMODATING
THE COMMERCIAL REALITIES OF THE PRIVATE SECTOR.

MAKING A DIFFERENCE

CREATING BETTER COMMUNITIES

Landcom is transforming the former Prince Henry Hospital site at Little Bay, while still accommodating the needs of the many community groups located on the site. Only 20% of the site is to be sold for new housing, with some of the proceeds helping to house community groups in new and refurbished heritage buildings. Organisations either currently on site or planning to move there include the Coast Centre for Seniors, Trained Nurses Association, Surf Life Saving Australia, Spinal Cord Injuries Australia, Aboriginal and Islander

Health Worker Journal, Women's Alcohol and Drug Advisory Centre and the Aboriginal Health and Medical Research Council. Landcom will be doing its best to ensure that community groups enjoy a long and continued association with Prince Henry at Little Bay as it moves into a new era.





It was widely predicted at this time last year that there would be a softening in the housing market, particularly for apartments. In the latter half of the financial year, demand began to fall quite sharply, although to a lesser extent for developed residential land.

Despite the softening market and some uncertainty caused by the Reserve Bank's stated desire to take the heat out of the housing market, Landcom performed creditably well and generated earnings before interest and tax (EBIT) of \$132.2 million. This substantially exceeded the target which, a year earlier, had been set at \$115.9 million.

The better than estimated EBIT result was aided considerably by the achievement of gross margins that in total exceeded budget by some \$15 million. Sales revenue fell short of the target by \$48 million, the shortfall being largely due to unavoidable delays in bringing some residential land to market.

As important as these financial achievements are, Landcom has other equally important roles to play. These include assisting the Government to implement its metropolitan and regional development policies and meeting the community's growth expectations, particularly as they relate to the conservation of the environment.

Throughout the Corporation, there is a deep commitment to implementing "best practice" sustainable development principles in all of its development activities. To achieve best practice, there is a need to collect and collate information on the latest innovations both from within Australia and overseas.

This is one of the reasons that the Managing Director has launched the Corporate Innovation Program whose purpose is to drive innovation throughout the organisation. Already, large numbers of staff are participating enthusiastically in the program and this is having the effect of creating a new cultural attribute in Landcom.

The rapidly changing demographic patterns in our communities are leading to quite different housing needs for many. This means that Landcom's products must adapt quite quickly to meet these changing needs and to this end there has been a sharp focus in the year just ended on detailed market research.

The results of this research are now informing product design and Landcom's products of the future will be substantially different from those of the present day. Already, Landcom's Estates are providing much wider housing choices which respond to the needs of a broad variety of consumers.

During the year, the Corporation put further emphasis on its program of building the organisation's capacity and skills base. This is crucially important to ensure that Landcom will be able to capitalise on the increasing number of opportunities and challenges with which it is currently presented.

Complex and strategic projects require skills of a high order and that Landcom's capacity building program is already paying dividends is evidenced by the number of awards presented to the organisation for excellence in design, innovation and sustainability in many projects. Singled out for particular recognition have been Landcom's Hunterford, Prince Henry Hospital and Victoria Park projects.

Each of these projects contain excellent examples of innovation, but without the relevant local government authorities' support and encouragement, most of the innovations would not have been permitted. The relationships that we enjoy with so many local government bodies are best described as partnerships; that is, they have a shared vision, they are built on mutual respect and trust, there is a transparency in all of our dealings and there is a healthy degree of tolerance for each other's occasional failings.

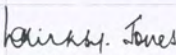
The Board of Directors has been especially pleased with the results of the recently completed Staff Attitude Survey, the prime purpose of which is to measure the morale and well-being of our people. **It is clear that the vast majority of our staff are finding great satisfaction in their work** and that they see Landcom as being engaged in a worthwhile enterprise designed to improve the quality of life of the people who will live, work, learn and relax in the homes that we develop.

Landcom's achievements during what has been a challenging year are due, of course, to its people. They have worked exceptionally hard to achieve the financial and non-financial targets set for them by the Board and have shown a degree of commitment and enthusiasm that is the

envy of many other enterprises. The Directors acknowledge with gratitude the splendid accomplishments of the staff and the senior management team operates very much as an extension of the Board.

The Managing Director, Mr Sean O'Toole, has again earned the special appreciation of the Board. He has demonstrated and is progressively implementing a far-reaching vision for the organisation and has led Landcom with distinction throughout the year.

Last, I thank my fellow Directors who express such a passionate interest in Landcom's affairs and who contribute in a myriad of ways to its strategic direction and success. Their good humour and wise counsel have again made my role a most enjoyable one.


William Kirkby-Jones
CHAIRMAN



In spite of growing uncertainty in the property market during the second half of the year, Landcom once again met its financial targets for 2003/2004 in accordance with its Corporate Plan. In many areas, it exceeded these targets.

Perhaps most pleasing was that, in an increasingly uncertain market, Landcom managed to meet the key challenges set for it by Government. Landcom met these challenges by concentrating its efforts on strategic, high profile projects which are capable of delivering recognisable metropolitan planning outcomes. It has also used these projects to provide strong leadership to the development industry by demonstrating that quality urban developments are also commercially viable.

At the same time, Landcom continued to address a shortage in residential land supply and in affordable housing during the year. It also continued to set benchmarks for higher standards in urban design and environmental sustainability for all its developments.

Landcom is now working beyond these challenges – marshalling and bringing together the skills, innovations and experience it has gathered over recent years to deliver more viable communities for the future.

Significant progress was made throughout the year on a number of projects, all of which will make a substantial contribution to their localities.

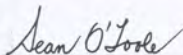
Newbury, Park Central and Victoria Park have emerged as excellent examples of contemporary best practice in urban design, while the detailed planning carried out during the year for Second Ponds Creek, South Hoxton, Greenway Park, Discovery Point and Prince Henry have laid the foundation for higher standards in community creation, urban design and innovation which will become increasingly apparent in future years.

The principles of environmental sustainability are now integrated as a key objective in all our future projects and, during the year, Landcom concentrated on communicating its experiences throughout the rest of the development industry. It launched a Water Sensitive Urban Design Policy and an Energy Smart Communities Policy. It also took on the responsibility for producing version four of the "Managing Urban Stormwater: Soils and Construction" handbook known as the "Blue Book" – the industry standard for best practice in water quality and soil management.

In spite of this progress, the creation of socially sustainable communities remains a challenge, particularly in fringe locations where people often tend to feel isolated. While Landcom endeavours to assist new communities by developing facilities as early as possible and through its Welcome Program, there is a recognition that more needs to be done. In the last half of the year, Landcom began exploring ways of accelerating the growth of "social capital" within its developments and a number of new initiatives are proposed for the upcoming year to tackle this issue.

Over the past 12 months, Landcom has continued its highly successful strategy of working in close partnership with a wide range of private sector developers. I would like to take this opportunity to formally acknowledge the benefits that these partnerships have had on our ability to deliver over the past few years, as well as the significant value which has been added by private sector partners during this period. Our major partners currently include Mirvac, Lend Lease and General Property Trust, Australand, Stockland, Clarendon Property Group, Greenfield Development Corporation and AV Jennings.

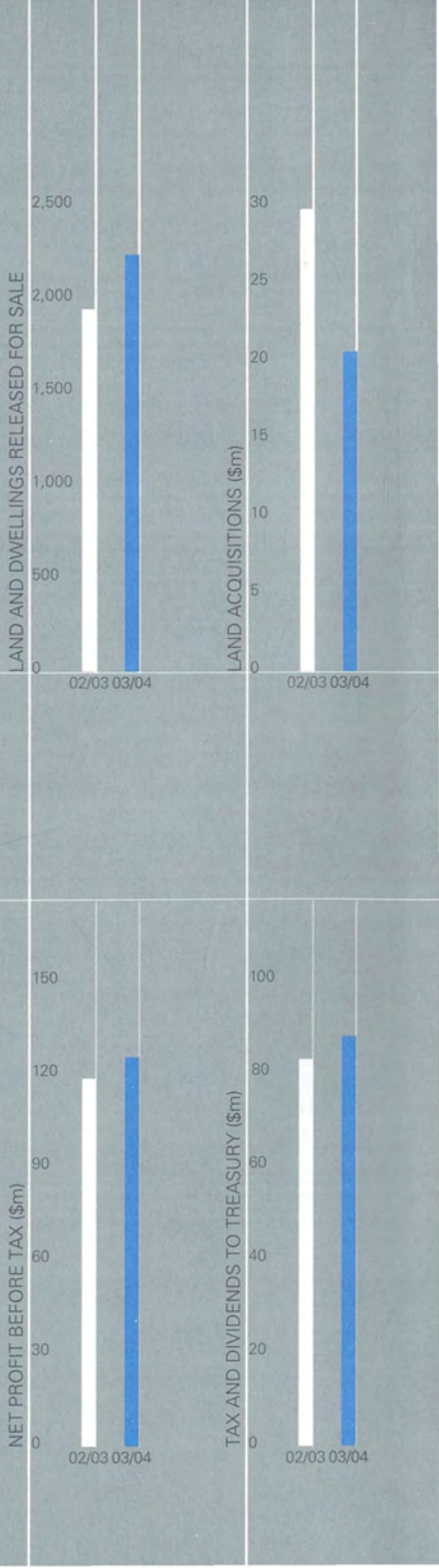
I am pleased to say that 2003/2004 has once again been a successful year for Landcom and the upcoming year is likely to be both challenging and exciting. The impressive results achieved by Landcom over the past few years provide, perhaps, the clearest demonstration of our teamwork. With this in mind, I would like to reiterate the Chairman's thanks to the Landcom Team – all of our staff, the senior management group and the Board – for their continued hard work and dedication.

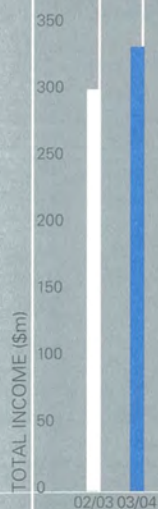


Sean O'Toole
MANAGING DIRECTOR

PERFORMANCE AGAINST THE YEAR'S OBJECTIVES

THIS ANNUAL REPORT APPRAISES LANDCOM'S PERFORMANCE AGAINST ITS KEY OBJECTIVES. AS IN PREVIOUS YEARS, AN OVERVIEW OF OUR CURRENT DEVELOPMENTS IS INCLUDED, WITH IMPORTANT FOCUS ON LAND SUPPLY, MODERATE INCOME HOUSING, URBAN DESIGN, AND ENVIRONMENTAL AND COMMUNITY INITIATIVES.





- Landcom's net profit before tax for 2003/2004 was \$125.4 million, up from \$118.7 million in 2002/2003.

- Landcom released for sale 2,237 dwelling equivalents – vacant lots, apartments, town houses and house and land packages.

- To address the land supply issue, Landcom progressed major residential developments at Spring Farm, Hoxton Park, Edmondson Park and Second Ponds Creek. It also completed a major program of civil works at its Smeaton Grange industrial estate.

- A partnership was formed with Lend Lease/General Property Trust to progress the development of the Rouse Hill Regional Centre. A masterplan application was submitted and approved by Baulkham Hills Shire Council.

- Demolition, remediation and civil works were completed at the northern end of the Prince Henry site, including the completion of the Trained Nurses Association Museum and improvements to beach access.

- The Discovery Point marketing suite opened in November 2003. Restoration began on Tempe House and St Magdalene's Chapel.

- Considerable progress was made on several projects around the Macarthur Regional Centre, namely the completion of Marsden Park, and first stages of Park Central. Landcom, with partner Stockland, was successful in negotiating development consent for the Macarthur Gardens project.

- Sustainable construction continues at Victoria Park with successful installation of solar panels on the 20-storey "ESP" apartment tower.

- The Austool excellence in tool making facility was opened in Campbelltown. It created employment and boosted Australia's tool making industry.

- Landcom's target to deliver up to 5% of total dwellings as moderate income housing products by 30 June 2008 was exceeded with 6.5% delivered by the end of 2003/2004. At Forest Glade, 20% of the house and land packages sold to moderate income households.

- Landcom launched its Water Sensitive Urban Design and Energy Smart Communities Policies, and produced the fourth edition of the "Managing Urban Stormwater: Soils and Construction" handbook, known as the "Blue Book" – the industry standard for best practice in water quality and soil management.

- Landcom presented its first Sustainability Report during the year.

- The following Landcom projects were awarded throughout the year:
 - Hunterford at Oatlands – UDIA NSW and National Awards for Medium Density and Mixed Used Development and the Royal Australian Institute of Architects Premier's Award.

- Green Square Town Centre – UDIA NSW Award for Excellence in Public Sector Leadership.

- Prince Henry at Little Bay – UDIA NSW Award for Excellence in Concept Design; Randwick City Council

- Sustainable Water Challenge Award, also commended for Heritage Adaptive Reuse; commendation by the Primary Industries Australia NSW for Urban Design – Plans & Ideas.
- Victoria Park – API NSW Environmental Development Award; achieved Bronze in the Premier's Public Sector Award for Water Sensitive Urban Design.

BOARD OF DIRECTORS



WILLIAM KIRKBY-JONES AM

DAVID CARROLL

GAIL RYAN

PETER BIRD AM

JOHN DROUIN

HELEN CLARK

PETER VERRALL AM

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

CHAIRMAN

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

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

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

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

SEAN O'TOOLE

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

MANAGING DIRECTOR

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

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

NEIL BIRD AM

B ARCH, GRAD DIP MGT, FRAIA,
FAICD, FPIA, FAP

DEPUTY CHAIRMAN

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

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

Neil currently holds positions with:

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

PENNY MORRIS AM

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

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

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

Penny is currently a Director of:

- Sydell Pty Limited
- Sydney Harbour Foreshore Authority
- Aristocrat Leisure Limited
- Principal Real Estate Investors (Australia) Limited.

CHRIS CARROLL

LLB (HONS), MAICD, MACLA, MICS

Mr Carroll is a solicitor who has a background in property and commercial law. He was in-house legal counsel for Lend Lease for 10 years. He has held senior positions with Lend Lease and Medallist - a residential joint venture between Macquarie Bank and Greg Norman. Chris is presently the Senior Commercial Counsel and Head of Corporate Services of the Valad Property Group.

Chris is currently a Director of:

- Luxdell Pty Limited
- Fromeday Pty Limited

GAE RABY

B ECON

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

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

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

ROBYN CLUBB

B EC, CA, ASIA, MAICD

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

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

Robyn currently holds the positions of:

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

LANDCOM STRUCTURE AND KEY EXECUTIVE TEAM



MANAGING DIRECTOR

GENERAL MANAGER URBAN DEVELOPMENT

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

The Sustainability and Policy division advises the development teams on social and environmental 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 AND FINANCE

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

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

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

GENERAL MANAGER CORPORATE MARKETING

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



MICK OWENS

DAVID CRAIG

GREG SOUTH

GEOFF JOYCE

MICK OWENS
B SURV, MIS

**GENERAL MANAGER
URBAN DEVELOPMENT**

Mick leads the Urban Development division, Landcom's greenfield development arm. He has over 20 years experience in the property industry. He spent the early stages of his career in surveying, engineering, planning and managing small and large residential projects. Since joining Landcom in 1991, Mick has managed a vast array of projects, including very large and complex projects across Sydney's urban release areas.

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

DAVID CRAIG
B BUS, ACA

**GENERAL MANAGER
CORPORATE MARKETING**

David has had over 10 years marketing experience, gained through senior roles in the sports and entertainment industry and Fast Moving Consumer Goods.

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

David's most recent appointment involved the successful repositioning of racing as an entertainment product in Sydney. David is looking forward to working with a motivated sales and marketing team in assisting the operational divisions of Landcom to achieve their objectives.

GREG SOUTH
B EC, ASA

**GENERAL MANAGER
CORPORATE AND FINANCE/
CORPORATE SECRETARY**

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

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

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

GEOFF JOYCE
B COM, ACA, FAICD

**GENERAL MANAGER
URBAN RENEWAL/COMMERCIAL**

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

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

"This review of Board performance is the fourth that we have conducted annually since 2000. Its over-riding conclusion is that the Board of Landcom has, in our view, reached this year its best performance levels since we began observing its operations. These performance levels, in our view as well as that of a number of parties who deal with the Board on a regular basis, make it a model of positive governance, enterprise and continuous development, applicable not only to public sector boards but, in a number of respects, to private sector boards as well."

Trudeau and Associates

An Independent Review of the Board's performance, by Trudeau and Associates, was commissioned for the period January to December 2003. The Review found that the Board's competence is held in high regard by external parties with whom it is called upon to deal, and that the Board has won the freely expressed support of those parties for its conduct, ethics and leadership.

As in previous years, the Board's focus for 2003/2004 was on strategic direction, the integrity of control systems and the monitoring of corporate performance.

Landcom prides itself on its commitment to the highest standards of corporate governance.

The organisation has in place a comprehensive suite of corporate governance arrangements which it has continued to monitor and review on a regular basis.

Landcom is a Statutory State-Owned Corporation and operates under the State-Owned Corporations Act 1989, the Landcom Act 2001 and the Landcom Constitution.

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

Landcom operates under a Board of Directors which oversees the work of the Corporation on behalf of its shareholders. The Board has produced a Corporate Governance Charter which sets out the roles and key responsibilities of the Board, the Managing Director and the Corporate Secretary.

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

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

Board Meetings are characterised by open communication, personal responsibility and diverse opinion. Discussion at meetings is focussed not only on financial information, but also on issues of social value, leadership, culture and reputation. In-depth strategic issues (such as the effects of cyclical movements in the housing industry and the establishment of appropriate project development controls to achieve financial, time and quality goals) are discussed regularly.

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

The Board has embraced a Code of Conduct to ensure that the highest standards of probity are maintained in all of the Corporation's undertakings. The Code of Conduct covers compliance, conflict of interest, integrity of information and the notion of good corporate citizenship. The Code also provides advice on relevant legislation and the consequences of breaches.

In addition to the Code of Conduct, a Risk Management Plan and Business Continuity Plan have been developed for the Corporation and several complementary policies have been produced, including a Fraud and Corruption Policy and a Policy on Declarations of Interest.

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

THE STRATEGIC FOCUS FOR LANDCOM FOR 2003/2004 INCLUDED:

- EXPANDING LANDCOM'S ROLE AS A DEVELOPER OF STRATEGIC AND COMPLEX PROJECTS
- ACCELERATING PRODUCTION OF LANDCOM HOLDINGS TO ASSIST WITH LAND SUPPLY
- LIAISING WITH INDUSTRY TO DISCOVER NEW WAYS OF DELIVERING MODERATE INCOME HOUSING
- CONTINUING TO PROVIDE BEST PRACTICE IN URBAN DESIGN, AND
- ADVANCING EXISTING SUSTAINABILITY AND TRIPLE BOTTOM LINE INITIATIVES.

STRATEGIC FOCUS 2003/2004

STRATEGIC PROJECTS

LANDCOM UNDERSTANDS STRATEGIC
DEVELOPMENT IN AN INCREASINGLY COMPLEX
WORLD, IT IS A CORPORATION THAT CAN
MAKE THINGS HAPPEN

Landcom seeks and delivers projects which influence the future direction of communities far beyond the boundaries of the particular development. These projects provide Landcom with opportunities to promote positive change across the entire metropolitan area. More importantly, they set the community benchmark for future developments.

Landcom's blend of government experience and commercial know-how allows it to work successfully with a wide range of stakeholders and private sector partners. These relationships allow Landcom to deliver complex and strategic projects which satisfy community expectations and stretch the boundaries of urban design and environmental sustainability – all while remaining commercially viable.

ROUSE HILL REGIONAL CENTRE

Taking shape over the next 10 years, this \$1.2 billion Regional Centre will serve the needs of Sydney's rapidly growing north-west sector, an area identified by the NSW Government as one of two principal corridors for Sydney's future expansion.

Being developed through an innovative partnership between Landcom and the site owner (the Department of Infrastructure, Planning and Natural Resources), this site, when completed, will comprise up to 200,000 square metres of retail and commercial floor space, a library, specialty shops, entertainment venues, parklands, two new schools, and 1,500 dwellings.

The project will be built across 96 hectares and is of enormous strategic value, representing one of the

last major greenfield regional retail opportunities within the Sydney metropolitan area. Eager to make the most of this opportunity, Landcom has ensured that the site will feature the latest thinking in town centre design, environmental sustainability and transport accessibility.

Landcom achieved rezoning this year and, in October, the State Government announced that Lend Lease and General Property Trust would partner with Landcom and the site owner to develop the centre. The masterplan governing the overall development was approved in March.

In May, the Minister for Western Sydney and Assistant Planning Minister, Diane Beamer, launched the construction of a primary school on the site – the first of many facilities to be built at the Rouse Hill Regional Centre. This development features a 90-place child-care centre and will be constructed next door to the future high school site. It is all part of a plan to create a vibrant town centre that will also be home to a whole new community.

The first stage of the town centre will be completed by Christmas 2006. The entire project is expected to be fully completed by 2014.

SHELLHARBOUR TOWN CENTRE

Landcom is helping to breathe new life into the Shellharbour Town Centre, with the area now starting to emerge as a reinvigorated residential, entertainment, workplace, service and recreation centre.

By thinking "outside the square", Landcom used land it had previously set aside for residential development – in taking the opportunity to link a number of competing elements within the old town centre, and in the

process, helping Council to create a vibrant new heart for the Shellharbour community.

Designed around a main street that links new facilities and services to the original commercial area, this staged development includes pedestrian friendly road layouts and a close integration of open space, housing, public transport and business uses.

Development of the Town Centre continued during the year and a number of businesses are already operating within the refurbished centre. A tavern, a library and a number of other retail outlets are currently proposed, along with a range of apartments which are to be developed adjacent to the five hectare Town Park completed by Landcom in 2003.

MACARTHUR REGIONAL CENTRE

The existing Regional Centre was planned some 30 years ago by the Macarthur Development Board. It was to provide educational, cultural, health and community and retail services. Whilst many of these services have been provided, there existed approximately 60 hectares of vacant land effectively separating the uses. The Macarthur Regional Centre project will bring all the early planning together, providing a complete diversity of housing choice in the heart of the Regional Centre.



THE FORMER PRINCE HENRY HOSPITAL SITE AT LITTLE BAY IS BEING TRANSFORMED INTO A MIXED-USE PRECINCT THAT COMPRISES HOUSING, RETAIL, FACILITIES FOR COMMUNITY GROUPS, A MUSEUM, OPEN SPACE, IMPROVED BEACH ACCESS AND A \$5.2 MILLION COMMUNITY CENTRE.

THE AUSTOOL EXCELLENCE IN TOOL MAKING FACILITY WAS OPENED IN CAMPBELLTOWN, CREATING EMPLOYMENT AND BOOSTING AUSTRALIA'S TOOL MAKING INDUSTRY.

THE PURPOSE BUILT FACILITY IS THE RESULT OF LANDCOM'S SUCCESSFUL COLLABORATION WITH STATE AND FEDERAL GOVERNMENTS, INCLUDING NSW DEPARTMENT OF STATE AND REGIONAL DEVELOPMENT, GROWING REGIONAL OPPORTUNITIES FOR WORK (GROW) AND DEPARTMENT OF INDUSTRY SCIENCE AND RESOURCES.



AUSTOOL FACILITY



ROUSE HILL PRIMARY SCHOOL

LANDCOM CONTINUES TO ACCELERATE
PRODUCTION ON ITS OWN SITES AND PROVIDES
STRATEGIC ASSISTANCE TO OTHER
LANDOWNERS.

While Landcom is not in a position to directly control the supply of land for housing, it does own large areas of land that is potentially available for development. Landcom's response to the land supply issue over the past few years has been to work as fast as possible to accelerate the development of its own estates and to facilitate other key landowners to do the same.

Landcom's focus this year was to accelerate the development in the strategic growth areas of north-west and south-west Sydney.

SPRING FARM

During the year, Landcom was successful in negotiating the exhibition of a draft Local Environment Plan (LEP) and Development Control Plan (DCP) for Spring Farm, a new urban release area located near Camden, with potential to accommodate 3,900 dwellings. Construction on this Estate is expected to commence by mid 2006.

SOUTHERN HOXTON PARK

Landcom is rapidly progressing site planning at Southern Hoxton Park, to create approximately 700 new lots. Improved access to reliable public transport is being considered, along with a stronger emphasis on providing higher standards in urban design.

When developed, this site will safeguard the conservation of all environmentally sensitive areas and will provide land for a new public school, community purposes and open space. At this stage, a total of 8.5 hectares of land is proposed to be converted into regional parklands, and a 13 hectare east-west environmental corridor will be created to link the area with nearby open space at Hinchinbrook Creek.

MOUNT ANNAN SOUTH

During the year, Landcom successfully negotiated development approval for a major extension to its existing Mount Annan Estate, in Sydney's south-west, increasing the availability of land for housing within this Estate by over 600 lots.

EDMONDSON PARK

At Edmondson Park, in south-west Sydney, Landcom entered into a cooperative agreement with both Liverpool and Campbelltown Councils to facilitate the exhibition of the Draft LEP for this future land release of up to 8,000 dwellings. Landcom's role here has been to coordinate the planning and service initiatives of the release area, which will also benefit 150 existing landowners.

OTHER PROJECTS

Meanwhile, a masterplan to guide future development at Landcom's Macarthur Gardens project at Campbelltown was approved in December 2003 and, further south at Mittagong, Landcom commenced planning studies for a new residential development which, it is intended, will raise the benchmark for residential development within this strategic southern highlands community.

During the year, Landcom finalised and submitted the masterplan and development application for further residential development at Claremont Meadows, near Penrith in Sydney's west. Known as the "Eastern Precinct", this area, when developed, will be capable of providing up to 500 dwellings, accommodating an estimated future population of 1,200.

INDUSTRIAL LAND SUPPLY

Sydney's land supply shortage is not restricted to residential land. A shortage of quality industrial land also exists.

At Smeaton Grange, Landcom is developing one of south-west Sydney's largest remaining industrial areas, where new industrial sites exceeding 5 hectares can still be purchased. This development has social, as well economic benefits, being a major contributor to the growth of jobs and investment in this part of Sydney.



IN NOVEMBER, LANDCOM SELECTED AUSTRALAND AS ITS PARTNER FOR THE DEVELOPMENT OF STAGE 1 OF SECOND PONDS CREEK IN SYDNEY'S NORTH-WEST. THE ESTATE WILL BE DEVELOPED IN THREE STAGES, WITH STAGE 1 COMPRISING AROUND 1,300 NEW HOMES AND THE ENTIRE DEVELOPMENT EXPECTED TO PROVIDE FOR OVER 3,000 HOUSEHOLDS. THE FIRST RELEASE OF RESIDENTIAL HOMESITES FOR THIS ESTATE HAS BEEN SCHEDULED FOR MID 2005.

NEWBURY, AN AWARD WINNING ESTATE OF 1,800 HOMESITES IN SYDNEY'S NORTH-WEST, IS SITUATED BETWEEN PARKLEA AND KELLYVILLE IN ONE OF THE CITY'S FASTEST GROWING REGIONS. CURRENTLY BEING DEVELOPED BY LANDCOM IN PARTNERSHIP WITH MIRVAC, THE NEWBURY ESTATE HAS BEEN MASTERPLANNED USING A RANGE OF INNOVATIVE DESIGN PRINCIPLES, MAKING THIS DEVELOPMENT A SHOWCASE FOR URBAN LIVING.



AUSTRALAND

HOUSING AFFORDABILITY

LANDCOM KNOWS THAT ACCESS TO MODERATE INCOME HOUSING IS KEY TO A CITY'S SUCCESSFUL OPERATION.

For many, Sydney's strong property market has placed the "Great Australian Dream" of home ownership increasingly out of reach. Among those caught in this situation are key workers – police, nurses, teachers and tradespeople – often forced into commuting great distances due to a lack of affordable housing near their workplace. Sydney could face widespread social dislocation and significant labour shortages in key industries unless something can be done to address this issue.

Landcom's research has shown that it's not only the rising cost of land which has caused this problem. Greater housing choices are required to meet the needs and budgets of a range of consumers.

Access to a growing supply of smaller, cost efficient homes will be needed to meet increasing demands for affordable housing from a growing section of the community. Access to more flexible finance arrangements may also be required.

LANDCOM'S MODERATE INCOME HOUSING POLICY

In 2001, there were 230,000 moderate income households in the Sydney Region. Landcom understands the social and economic difficulties faced by moderate income households – currently defined as those earning between \$45,000 and \$68,000 per annum. This is why Landcom has placed such a high priority on developing innovative home design and financing opportunities.

Landcom adopted a Moderate Income Housing Policy in 2001. The Policy recognises that home ownership is a constant aspiration for Australians.

In line with this Policy, Landcom's target was to deliver up to 5% of the total number of land and/or housing products it produces each year as moderate income housing. This year, Landcom delivered 6.5% of its lots and dwellings at a price affordable to moderate income households – up from the 2.6% achieved the previous year.

The Corporation also began investigating a range of complementary "demand side" approaches during the year, including the provision of increased access to alternative finance products.

HIGHLIGHTS FOR THE YEAR

This year, for the first time, complete working examples of moderate income housing were finalised, providing Landcom with an opportunity to demonstrate the full range of its current affordable housing innovations. Completed projects feature smaller minimum lot sizes, functionally efficient homes geared to specific household types, innovative lot and subdivision design and more efficient construction and waste minimisation. Highlights include:

- The completion and formal opening of Landcom's Forest Glade Estate at Parklea. Of the 64 house and land packages offered for sale, 20% were specifically targeted to moderate income earners.
- Sales release of 22 affordable houses within Landcom's nearby Newbury Estate, where buyers were means-tested to ensure they were moderate income households.

– The sale of 34 affordable lots within Landcom's Melaleuca Estate at Metford, in the Hunter. These lots were sold at auction, with the sale price set low enough to be considered reasonably priced for moderate income households.

– Delivery of a range of accessory dwelling units at Landcom's Park Central Estate in Campbelltown and also at Newbury, providing affordable and much needed rental accommodation.

– Landcom has begun researching innovative ways of creating moderate income housing opportunities through the creation of financing products which specifically target moderate income households.

– Landcom called for expressions of interest for a moderate income housing finance partner to develop new financing products specifically tailored to moderate income earners.

AT LANDCOM'S FOREST GLADE ESTATE, 13 OF 64 HOMES WERE SOLD AT PRICES AFFORDABLE TO MODERATE INCOME HOUSEHOLDS. HOUSES WERE INDISTINGUISHABLE FROM ANY OTHER HOME AVAILABLE ON THE ESTATE. COMPLETED THIS YEAR, THESE "SMART" HOUSES WERE PRICED FROM \$156,000 TO \$230,000.



FOREST GLADE



LANDCOM AIMS TO INFLUENCE OUTCOMES.
IT TAKES ITS RESPONSIBILITIES SERIOUSLY,
STRIVING FOR INDUSTRY LEADERSHIP IN
INNOVATIVE DESIGN.

The shift away from detached housing to medium density living is now a permanent, nation-wide trend and in the Sydney metropolitan area, production of medium density housing will continue to outperform the detached housing market into the future.

At the same time, however, public criticism over the poor quality of design within existing medium density development has never been higher. This criticism, combined with widespread media coverage during the year, condemning the proliferation of large, featureless housing in new estates on the city's fringe prompted the Premier to act. Subsequently, a number of public forums were hosted early in 2004 to raise awareness of the issue and to canvass solutions.

Landcom's approach has been to develop close partnerships with Australia's leading planners, designers, government authorities and private developers. Over the past few years, the Corporation has sought and employed best practice design principles in all its residential and commercial developments, and these efforts are beginning to show some dramatic results.

VICTORIA PARK

The pace of construction on Landcom's award winning Victoria Park project gained momentum during the year.

The first and largest masterplanned development in Sydney's booming inner south, Victoria Park remains one of Landcom's most ambitious undertakings. However, at the core of this success has been the careful planning which preceded development. Almost 40% of this 25 hectare site is devoted to the public domain, featuring four large and functional green community spaces. The project has won a number of awards for its unique urban design features, its leading edge water management system, and for its practical commitment to ecological sustainability.

The various apartment buildings currently under construction on the site are being built in partnership with the private sector and all buildings must adhere to stringent design guidelines developed by Landcom. Apartments feature cross flow ventilation, larger, more usable balcony spaces and careful alignment to maximise access to sunlight.

A number of apartment buildings were completed during the year and the Estate now supports a growing population of permanent residents who are breathing new life into this former industrial site.

PARK CENTRAL

The development of Landcom's Park Central project continued throughout the year. Park Central is Campbelltown's first fully masterplanned medium density estate and is strategically located adjacent to a regional shopping centre and Landcom's Macarthur Gardens project. The Corporation has already invested around \$12 million into this site, focusing on road works, service infrastructure and the construction of a landmark parkland community.

Marsden Park is at the centre of a rescue operation focusing on a degraded 800 metre riparian corridor. The Park is the physical outcome of a complex set of urban and environmental problems. Landcom has restored the site's natural bushland and wetland areas and created, at the same time, a sense of "place," around which a new community can be built.

Landcom wanted to make sure that the design outcome for Park Central would appeal to a wide cross section of buyers at different life stages. When completed, the site will provide approximately 400 architecturally designed dwellings which will be at the leading edge of environmental sustainability. In total, the Estate will comprise 120 apartments, 50 terraces and 230 garden homes. Importantly, in an effort to provide true housing diversity, Landcom has provided for retirement housing to be included within the project. When complete, the site will also include cafés, restaurants, commercial facilities and some retail uses.

GOOD URBAN DESIGN CAN ALSO HAVE A PLAYFUL SIDE. ANYONE FAMILIAR WITH GOSFORD WOULD KNOW THE BIG DINOSAUR AND ITS STATUS AS A CENTRAL COAST ICON, ASSOCIATED AS IT WAS WITH THE AUSTRALIAN REPTILE PARK, FORMERLY LOCATED AT WYOMING.

IN CONJUNCTION WITH BELLEVALE HOMES, LANDCOM HAS DELIVERED A FULLY MASTERPLANNED RESIDENTIAL DEVELOPMENT COMPRISING 66 THREE AND FOUR BEDROOM HOMES IN A MIX OF ATTACHED TERRACES AND DETACHED HOUSING, WHILST MAINTAINING THE REPTILE THEME.



LANDCOM'S AND ST HILLIERS' AWARD WINNING HUNTERFORD PROJECT AT OATLANDS CONTINUED TO EARN THE RESPECT OF THE DEVELOPMENT INDUSTRY BY WINNING THE UDIA NATIONAL AND NSW AWARDS FOR MEDIUM DENSITY AND MIXED USE DEVELOPMENT, AND THE ROYAL AUSTRALIAN INSTITUTE OF ARCHITECTS PREMIER'S AWARD.



ALPHA TERRACE



SUSTAINABILITY IS A KEY CONSIDERATION
IN DEVELOPMENT. LANDCOM ENSURES THAT
A CULTURE OF SUSTAINABLE PRACTICE IS
INTEGRATED INTO ALL ITS BUSINESS DECISIONS.

As individuals, as members of development teams, and together as a corporation, Landcom acts ethically and professionally and respects its social, financial and environmental obligations. While every Landcom development can be considered an example of sustainability in action, many projects achieve well beyond the benchmark.

SUSTAINABILITY REPORT

In a groundbreaking achievement, Landcom presented its first Sustainability Report during the year, using project, corporate and other data collected on a range of performance indicators.

The culmination of over two years of planning, stakeholder consultation, indicator definition, data collection, verification and reporting, Landcom's inaugural Sustainability Report generated much interest and provided a tangible demonstration of its leadership. Landcom remains the only development-oriented organisation in the country that measures and reports, on an annual basis, its performance against social, environmental as well as financial indicators.

WATER SENSITIVE URBAN DESIGN

Landcom is strongly motivated to provide leadership. Over the last few years, the Corporation has trialled projects designed to enhance environmental sustainability, and it now has an assortment of fully audited examples of sustainability in action.

Landcom has embarked upon a program of packaging its learnings and experiences into Policy documents, designed to share its knowledge with industry practitioners.

Landcom aims to conserve water, minimise stormwater pollution and better manage urban waterways. This year Landcom launched its Water Sensitive Urban Design Policy, which has now been adopted as standard practice throughout the Corporation. Formal training programs for Landcom staff, local government partners and consultants accompanied the introduction of the Policy.

ENERGY SMART COMMUNITIES

Also this year, Landcom launched its Energy Smart Communities Policy, aimed at reducing greenhouse emissions, conserving energy and providing a platform for the implementation of energy efficient practices across all of its projects.

Landcom's policies represent the outcome of wide-ranging research studies, followed by successful project trials. Importantly, all of Landcom's policy packages include guidelines to help developers choose the sustainability measures to best suit the constraints and opportunities of their particular site.

SOIL AND WATER MANAGEMENT

In keeping with Landcom's aim to improve the management of urban water quality, the Corporation financed, coordinated and published the fourth edition of "Managing Urban Stormwater: Soils and Construction" – commonly known as the "Blue Book". The Book was compiled in partnership with State Government agencies, the UDIA and local councils and provides updates for local councils and practitioners needing to design, construct and implement

stormwater improvement measures during the construction phase of urban developments.

VICTORIA PARK

Landcom's pioneering urban renewal project at Victoria Park is an award winning example of the Corporation's industry leadership in the field of sustainable development.

Having provided, as part of the initial site works, a demonstration of water sensitive urban design in action and having already achieved an exceptional level of construction waste recycling within the development, Landcom marked the year by yet another notable achievement – the successful installation of a solar panel feature on the 20-storey "ESP" apartment tower, currently being built by Walcorp in accordance with a detailed set of requirements developed by Landcom.

Landcom's objective was to introduce a renewable energy initiative within this landmark building, to minimise its dependence on non-renewable energy sources for hot water generation and thereby reduce carbon dioxide emissions. Investigating several options, Landcom found solar panels could provide a viable source of energy, supplying about half the apartments with hot water.

The success of this solar panel initiative complements the sustainability measures which have already been integrated into the design phase of this and other projects, making sustainability an integral part of Landcom's planning process.



KOALA BAY

WHILE KOALA BAY IS A NOTEWORTHY MODEL OF EFFICIENT LAND USE, WATER CONSERVATION AND ENERGY SAVINGS, IT IS FAUNA CONSERVATION THAT MAKES THE ESTATE TRULY DISTINCTIVE.

THE SITE IS LOCATED ON THE TILGERRY PENINSULA, ONE OF THE RICHEST KOALA HABITATS IN AUSTRALIA. HOWEVER, THE AREA HAS SUFFERED A 48% LOSS IN KOALA HABITAT OVER THE PAST 40 YEARS. IN RESPONSE, LANDCOM HAS COMMITTED TO MAINTAIN ESSENTIAL HABITATS, IN ORDER TO CREATE A "KOALA-FRIENDLY" RESIDENTIAL AREA. INITIATIVES INCLUDE THE DEVELOPMENT OF A KOALA PLAN OF MANAGEMENT, WHICH AIMS TO PROTECT KOALAS AND ENHANCE THEIR EXISTING HABITAT SO THAT THEIR POPULATION CAN GROW. LANDCOM HAS ALSO ESTABLISHED A TRUST FUND OF \$50,000 TO FINANCE RESEARCH INTO ANY IMPACTS THAT NEW DEVELOPMENT MAY HAVE ON THE EXISTING KOALA POPULATION.



KOALA BAY



THE KEY TO BUILDING COMMUNITIES IS IN LAYING
THE RIGHT FOUNDATION – ENCOURAGING TRUST,
PROVIDING FACILITIES EARLY AND CREATING
NETWORKS THAT BRING PEOPLE TOGETHER

Landcom works in many different communities and develops appropriate responses to all of them. Landcom recognises that its local and state government partners, its associates in the private sector and, finally, the people who buy its housing products and move into Landcom estates all have different needs and expectations.

COMMUNITY CONSULTATION

One of the ways Landcom ensures that it hears the many voices among these differing communities is by preparing and implementing consultation plans for its projects, identifying the key stakeholders and contacting them for participation.

During the year, we conducted formal stakeholder consultation plans for over half of our projects, achieving an impressive 90% stakeholder participation rate.

Landcom also encourages community participation through open days, the distribution of project newsletters and through “meet the developer” sessions for residents and interested parties. The aim is to keep the community informed as early and as fully as possible.

COMMUNITY FACILITIES

Landcom believes in providing facilities that are, firstly, appropriate for the needs of the communities it creates, and, secondly, built to the highest possible standard. Schools, community halls, shopping facilities, public transport opportunities, sporting fields, playgrounds and parks – these facilities help to bring people together and develop a strong sense of pride among new residents.

However, Landcom’s experience has shown that simply planning for facilities is not enough. They must be provided early – either before the first families take up residence or as soon as possible thereafter.

At Newbury, all essential community facilities were available shortly after residents moved in, including a school, a number of neighbourhood centres and a district shopping centre, all provided by our private sector partner on Landcom sites. The aim was that these facilities would be available for residents either before or soon after the first houses and homesites were released onto the market. Furthermore, in a cooperative venture, a major sports and aquatic centre, built by Blacktown City Council on a site provided by Landcom, was also completed early in the development phase.

WELCOME PROGRAMS

Landcom’s Welcome Program is just one more way the Corporation helps build communities. The aim of the Program is to assist new residents to settle in quickly and to establish viable networks, providing the glue that binds new communities together.

However, the Welcome Program involves more than just greeting new residents, it also takes a longer term view, focusing on the creation of self sustaining communities in a more holistic way.

For example, within Landcom estates in Sydney’s north-west, a range of community events are coordinated each year by Welcome Program organisers, the largest of which is an annual “Carols by Candlelight.” Last year, this event alone was attended by over 8,000 residents, thanks to financial and logistical support from Landcom and more than 20 other sponsors.

On the Central Coast, residents of Landcom’s Watanobbi Estate have, with Landcom’s assistance, and with the resources of Wyong Shire Council, formed a registered community association known as “Watanobbi Incorporated.” The group meets on a monthly basis to promote a range of social activities in the area.

Landcom’s goal is to incorporate, by 2008, Community Welcome Programs into all its projects larger than 200 dwellings. During the year, the Corporation ran Welcome Programs in more than half the projects which fall within this category, a solid increase on the 40% achieved last year.



PHOTOGRAPHY: JEFFREY W. HARRIS

THE "HOUSE OF HEARTS" HAS COME FULL CIRCLE, WITH ITS CONSTRUCTION AND SALE TAKING PLACE THIS YEAR. DESIGNED BY INTEGRATED DESIGN GROUP AND PROJECT MANAGED BY COSMOPOLITAN LIVING, THE HOUSE WAS BUILT IN COLLABORATION WITH THE DEVELOPMENT INDUSTRY AND ENTIRELY FROM DONATIONS. THE PROCEEDS OF THE MAY SALE WERE DONATED TO THE CHILDREN'S HOSPITAL AT WESTMEAD, AND WILL FUND THE PERMANENT APPOINTMENT OF AN ACADEMIC CARDIAC SURGEON AND A CARDIAC ULTRASOUND MACHINE.



SPAN OF OPERATIONS

HUNTER

1. Corlette – Bagnalls Beach
2. Fletcher – Bluegum Vista
3. Green Hills – Ashton Grove
4. Lake Macquarie – Fennell Bay
5. Metford – Melaleuca
6. Nelson Bay – Hardy Street
7. Nelson Bay – Pirrales Gardens
8. Royal Newcastle Hospital site
9. Tanilba Bay – Koala Bay

CENTRAL COAST

10. Gosford City Link
11. Warnervale – Town Centre
12. Wyoming – Worrell Park
13. Wyong – Watanobbi

SYDNEY

14. Beacon Hill
15. Bringelly
16. Campbelltown – Macarthur Gardens
17. Campbelltown – Park Central
18. Cecil Hills
19. Chullora Industrial Centre
20. Claremont Meadows
21. Edmondson Park
22. Green Square Town Centre
23. Gympie Glade

24. Heathcote
25. Ingleburn Industrial Estate and Austool
26. Kellyville – Guardian Grove
27. Kellyville – Merriville Rise
28. Kellyville – Tallwood Hills
29. Little Bay – Baybrook
30. Little Bay – Prince Henry
31. Menai
32. Menangle Park
33. Mount Annan
34. Orchard Hills
35. Parklea – Forest Glade and Jacaranda Rise
36. Parramatta – George Street
37. Punchbowl – Waterford
38. Riverstone
39. Rosebery
40. Rouse Hill Regional Centre
41. Second Ponds Creek
42. Smeaton Grange Industrial Estate
43. Southern Hoxton Park
44. Spring Farm
45. St Helens Park
46. St Marys
47. Stanhope Gardens – Newbury
48. West Hoxton – Greenway Park
49. Willoughby Gardens
50. Woll Creek – Discovery Point
51. Zetland – Victoria Park

ILLAWARRA

52. Koonawarra
53. Shellharbour City Centre
54. Shellharbour – Woodlands

SOUTHERN HIGHLANDS

55. Mittagong – Renwick

HIGHWAYS



STATUTORY REQUIREMENTS

STATUTORY REQUIREMENTS

CHARTER

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

OBJECTIVES

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

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

FUNCTIONS

- (1) The Corporation has the functions conferred or imposed on it by or under the Act or any other Act or law.
- (2) The principal functions of the Corporation are:

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

CORPORATE STRUCTURE

Board of Directors

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

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

The current Board was reappointed from 1 January 2004 for varying terms ranging from two to four years.

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

The Directors are:

Mr William Kirkby-Jones AM – Chairman
 Mr Neil Bird AM – Deputy Chairman
 Mr Sean O'Toole – Managing Director
 Mr Chris Carroll – Director
 Ms Robyn Clubb – Director (appointment date December 2003)
 Ms Penny Morris AM – Director
 Ms Gae Raby – Director

BOARD MEETING PROCEDURES

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

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

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

Information in regard to proceedings and procedures of Board meetings is set out in Clauses 5.8 to 5.11 of the Landcom Constitution and in the Corporate Governance Charter.

Copies of the Board papers are provided to NSW Treasury.

During the reporting period 13 meetings were held. The number of meetings attended by each Director was as follows:

Director	No. Meetings Possible	Board Meetings Attended	Apoogy
W Kirkby-Jones	13	13	0
N Bird	13	12	1
S O'Toole	13	12	1
C Carroll	13	13	0
Ms R Clubb (appointed December 2003)	7	6	1
Ms P Morris	13	13	0
Ms G Raby	13	12	1

The Board has established four committees. Membership is reviewed on an annual basis, in April each year. Membership of the committees during the period April 2003 to April 2004 was as indicated:

Audit and Risk Management

Penny Morris – Chairman
Chris Carroll
Gae Raby

Marketing and Sales

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

Information Technology

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

Remuneration

Committee of the whole Board

MANAGEMENT

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

The Management Executive is:

Sean O'Toole – Managing Director
Geoff Joyce – General Manager
Urban Renewal
Mick Owens – General Manager
Urban Development
Greg South – General Manager
Corporate and Finance, Corporate Secretary
David Craig – General Manager
Corporate Marketing

LEGISLATION

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

RISK MANAGEMENT

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

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

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

BUSINESS CONTINUITY

Landcom's Business Continuity Plan was updated in June 2004. The Plan's objectives aim:

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

Landcom continues to implement actions relating to disaster recovery to ensure that, if an unwanted event occurs, it can continue to do business.

INSURANCE

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

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

The Fund provides unlimited cover for the fragilities of risk such as workers compensation, motor vehicle, property, public liability and directors/officers liability.

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

FREEDOM OF INFORMATION

Landcom complies with the Freedom of Information Act 1989.

During 2003/2004 Landcom received three Freedom of Information Applications in which it granted the information in one and partly granted the information in another. The third Application was not finalised during this reporting period.

Landcom also received four requests from agencies for the release of information relating to Landcom activities. In three of the instances the release of information was approved and in the fourth it was partially granted.

Landcom's Statement of Affairs was published in December 2003 and the Summary of Affairs was published in June 2004, in the NSW Government Gazette.

PRIVACY

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

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

STATUTORY REQUIREMENTS

Landcom's Privacy Management Plan and Policy is scheduled to be reviewed in 2004 in accordance with changes to the Health Records and Information Privacy Act 2002 which commences on 1 September 2004.

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

FOI and Privacy Coordinator
Landcom
PO Box 237
Parramatta NSW 2124

PROMOTION

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

- Sustainability Report 2003
- Directions Winter 2003
- Directions Spring 2003.

RESEARCH

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

- House and Land Packages
- Housing for Older People
- Energy Smart Communities
- Demand Forecasting.

PRODUCTION COST OF ANNUAL REPORT

The overall cost of producing and printing 2,000 copies of the 2003/2004 Annual Report is estimated at \$69,135.

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

CONSUMER RESPONSE

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

GUARANTEE OF SERVICE

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

WASTE

Under the Waste Avoidance and Resource Recovery Act 2001, Landcom is required to report biennially to the Department of Environment and Conservation (DEC) on progress made to:

- Reduce generation of waste
- Increase resource recovery (including reuse and recycling), and
- Increase the use of materials with recycled content.

Landcom provided its Waste Reduction And Purchasing Policy (WRAPP) report in accordance with the DEC reporting requirements. The last WRAPP report was submitted to the DEC in August 2003 for the reporting period of 2001/2003. The next WRAPP report for the period of 2003/2005 is due late in 2005. These requirements are now incorporated in Landcom's Triple

Bottom Line reporting framework and will be reported in the Sustainability Report as well (Indicator 7).

CODE OF CONDUCT

Landcom adopted a new Code of Conduct in 2003. All staff were briefed at the time, all staff members joining Landcom since then are briefed on the Code during their induction to the organisation.

CONSULTANTS

The amount spent on consultants during the 2003/2004 financial year totalled \$128,000. The engagements were for:

- Review of human resource framework
- Development of Landcom's strategic plan
- Review of Landcom's business systems
- Development of Landcom's Energy Smart Urban Solutions.

OCCUPATIONAL HEALTH AND SAFETY

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

Landcom incurred two Lost Time Injuries in the reporting period. Both these injuries were incurred in work places over which Landcom has no control.

ETHNIC AFFAIRS PRIORITY STATEMENT 2004/2007 PERFORMANCE REPORT

Landcom adheres to the Principles of Multiculturalism and demonstrates that adherence through the objectives of the Landcom Corporate Plan and the business plans that flow from it. The emphasis for Landcom in the period to 30 June 2005 is to complete a review of the Stakeholder Consultation Workbook and to ensure that clients are informed, to the limits of practicality, of the availability of interpreting and translating services.

Ethnic Affairs Initiative	Key Result Area	Strategies/ Tasks	Responsibility	Resources/ Budget	Timeline	Performance Indicators	Comment	Outcomes Achieved
Develop and implement stakeholder consultation plans in accordance with Landcom's Stakeholder Consultation Workbook.	1. Social Justice. [1.9 Planning for Cultural Diversity]	1. Ensure that each project does not proceed without first having a stakeholder consultation plan. [ABS demographic data is used to develop the appropriate consultation plan, which is then inclusive of ethnic communities.]	General Managers, Urban Development and Urban Renewal	Project budgets	30 June 2005	100% of projects	Most projects in the reporting period were planned some years before the development of the Stakeholder Consultation Workbook.	55.5%
		2. Establish a register of stakeholder consultation plans.	Director, Sustainability and Policy	Division budget	30 June 2004	Register established (timeliness)	Notable successes in community stakeholder consultation in the 2003/2004 reporting year include the use of multi-linguistic Landcom staff members at Carrisbrook Estate at Punchbowl and the use of interpreters for the Prince Henry Hospital redevelopment project at Little Bay.	Register established
Formal review of the Stakeholder Consultation Workbook to emphasise access to interpreters and translators.	1. Social Justice. [1.7 Access to Interpreters and Translators]	Amend, implement and publicise results of review.	Director, Sustainability and Policy	Division budget	30 June 2005	Review complete (timeliness)		Review commenced
Improved provision of information concerning interpreting and translating services in all relevant Landcom marketing and sales material.	1. Social Justice. [1.7 Access to Interpreters and Translators]	1. Review current marketing and sales material for appropriate information.	General Manager, Corporate Marketing	Marketing budget	30 June 2005	Review complete (timeliness)		Review commenced
		2. Arrange for access to interpreting and translating services.	General Manager, Corporate Marketing	Marketing and/or project budgets	30 June 2005	Interpreting and translating services available upon request		Services available

STATUTORY REQUIREMENTS

REMUNERATION OF SENIOR EXECUTIVES AT OR ABOVE SES LEVEL 5

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

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

Executive	Position	Fixed Remuneration Component	At Risk Component	Total	Key Achievements
Sean O'Toole	Managing Director	\$278,504 p.a.	\$20,000	\$298,504 p.a.	Achieved or exceeded all financial targets as set out in the Corporate Plan. Achieved milestone targets for: – key strategic and complex projects; – key projects which facilitate urban development. Developed and implemented the Corporate Innovation Program. Developed and implemented the Corporate Positioning and Market Research Strategies. Oversaw the enhancement of customer service and knowledge sharing aspects of business operations. Oversaw the further development of the People Management Strategy. Ensured substantial progress with resolution of land supply constraints. Produced the 2002/2003 Sustainability Report.
Geoff Joyce	General Manager Urban Renewal	\$209,013 p.a.	\$15,000	\$224,013 p.a.	Achieved or exceeded all financial targets as set out in the Corporate Plan. Progressed the following major strategic projects: Discovery Point, Macarthur Gardens, Victoria Park, Warnervale Town Centre, Gosford City Link and Prince Henry Hospital. Delivered practical innovation on all new projects. Enhanced market knowledge and understanding. Enhanced customer service and knowledge sharing aspects of business operations. Contributed to the production of the Sustainability Report.
Mick Owens	General Manager Urban Development	\$184,098 p.a.	\$12,500	\$196,598 p.a.	Achieved or exceeded all financial targets as set out in the Corporate Plan. Secured development sites at South Hoxton Park, Schofield, Mittagong, Newcastle and Spring Farm. Substantially delivered the Crown Lands Homesite Program. Land release program delivered for Second Ponds Creek, Riverstone, Alex Avenue, Southern Hoxton Park, Edmondson Park, Menangle Park, Spring Farm, Bringelly and Rouse Hill Regional Centre. Delivered practical innovation on all new projects. Enhanced market knowledge and understanding. Enhanced customer service and knowledge sharing aspects of business operations. Delivered substantial progress in the resolution of land supply constraints. Contributed to the production of the Sustainability Report.
Greg South	General Manager Corporate and Finance	\$182,740 p.a.	\$12,500	\$200,240 p.a.	Achieved or exceeded all financial targets as set out in the Corporate Plan. Managed cash flow to support the EBIT target. Enhanced operational efficiency and fostered continued innovation through the Business Process Improvement Program. Enhanced customer service and knowledge sharing aspects of business operations. Further developed the People Management Strategy. Managed the production support and data provision for the Sustainability Report.

EXECUTIVES WITH REMUNERATION EQUAL TO OR EXCEEDING SES LEVEL 1

Number of executives with remuneration equal to or exceeding equivalent of SES level 1 at the end of the current reporting year: – 19

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

TOTAL STAFF (EXCLUSIVE OF EXECUTIVES) BY PAY LEVEL

Level \$	Total Number of Staff	Men	Women	Aboriginal People and Torres Strait Islanders	People from Racial, Ethnic, Ethno-religious Minority Groups	People Whose Language First Spoken as a Child was Not English	People with a Disability	People with a Disability Requiring Adjustment at Work
32,715 – 38,034	0	0	0	0	0	0	0	0
40,889 – 44,424	4	0	4 (2x temporary)	0	2	2	0	0
46,650 – 51,050	14	5	9 (1x temporary) (1x part-time)	0	4	3	0	0
54,000 – 59,590	12	4	8 (3x temporary)	0	3	3	0	0
64,567 – 71,251	24	6	18 (2x temporary) (1x part-time)	0	10	9	1	0
75,600 – 81,821	22	16	6 (1x temporary)	0	7	6	0	0
86,001 – 94,616	29	18	11 (1x temporary) 1x part-time)	0	8	8	0	0
102, 678 – 112,285	5	3	2	0	2	2	0	0
Total	110	52	58	0	36	33	1	0

STATUTORY REQUIREMENTS

DISCLOSURE OF APPROVED EXEMPTIONS

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

Statutory Requirements	Act/Regulation References	Comments
FINANCIAL REPORTING EXEMPTIONS		
Format of financial statements	Public Finance and Audit Act	
Financial statements	s.41B (c) PF&AA	Exemption from preparing manufacturing, trading and profit and loss statements. Required to prepare a summarised Operating Statement (i.e. summarising major categories of revenues and expenses).
Notes – Income and expenditure	(Schedule 1, Part 1) PF&A Reg	
Amounts set aside for renewal or replacement of fixed assets	Item 2	
Amounts set aside to any provision for known commitments	Item 4	
Amount appropriated for repayment of loans/advances/debentures/deposits	Item 6	
Material items of income and expenditure on a program	Item 13	Required to summarise the material items of revenues or activity basis and expenses on a program or activity basis.
Notes – Additional information	(Schedule 1, Part 3) PF&A Reg	
Excess of non-current asset value over replacement cost	Item 13	
ANNUAL REPORTING EXEMPTIONS		
Budgets		
Detailed budget for the year reported on	s.7(1) (a) (iii) ARSBA	
Outline budget for next year	s.7(1) (a) (iii) ARSBA	
Particulars of material adjustments to detailed budget for the year reported on	cl 6 ARSBR	

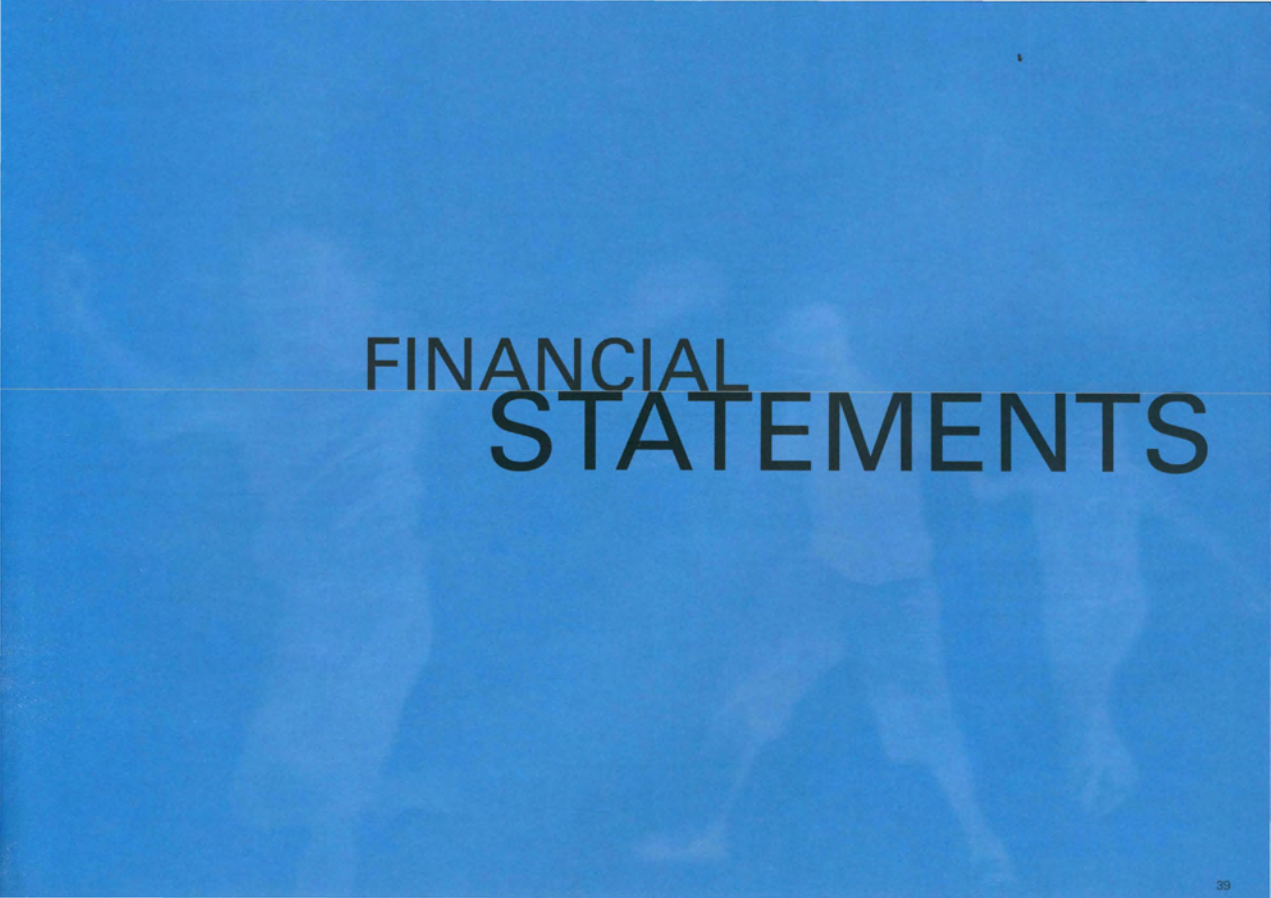
Statutory Requirements	Act/Regulation References	Comments
Report of Operations Summary Review of Operations - narrative summary of significant operations - selected financial and other quantitative information associated with the administration of programs or operations	s.7(1) (a) (iv) ARSBR	Exemption subject to a condition. The condition is that comments and information relating to the "summary review of operations" are to be disclosed in a summarised form.
Management and Activities - nature and range of activities - measures and indicators of performance - internal and external performance reviews - benefits from management and strategy reviews - management improvement plans and achievements - major problems and issues - major works in progress, cost to date, estimated dates of completion and cost overruns - reasons for significant delays etc. to major works or programs	Schedule 1 ARSBR	Exemption subject to a condition. The condition is that comments and information relating to "management and activities" are to be disclosed in a summarised form.
Research and Development - completed research including resources allocated - continuing research including resources allocated - developmental activities including resources allocated	Schedule 1 ARSBR	
Human Resources - number of employees by category and comparison to prior three years - exceptional movements in employee wages, salaries or allowances - personnel policies and practices - industrial relations policies and practices	Schedule 1 ARSBR	Exemption subject to a condition. The condition is that overseas visits with the main purposes highlighted are required to be disclosed.
Consultants - for each engagement costing greater than \$30,000 - name of consultant - title of project - actual cost - for each engagement costing less than \$30,000 - total number of engagements - total cost - if applicable, a statement that no consultants were engaged	Schedule 1 ARSBR	Exemption subject to a condition. The condition is that the total amount spent on consultants is to be disclosed along with a summary of the main purposes of the engagements.

STATUTORY REQUIREMENTS

Statutory Requirements	Act/Regulation References	Comments
Land Disposal • properties disposed of during the year – total number – total value • if value greater than \$5,000,000 and not by public auction or tender – list of properties – for each case, name of person who acquired the property and proceeds from disposal • details of family or business connections between the purchaser and the person responsible for approving the disposal • statement giving reasons for the disposal • purpose/s for which proceeds were used • statement indicating that access to the documents relating to the disposal can be obtained under the Freedom of Information Act	Schedule 1 ARSBR	
Consumer Response • extent and main features of complaints • services improved/changed in response to complaints/suggestions	Schedule 1 ARSBR	Exemption subject to a condition. The condition is that comments and information relating to "consumer response" are to be disclosed in a summarised form.
Payment of Accounts • performance in paying accounts, including action to improve payment performance	Schedule 1 ARSBR	This exemption only applies to statutory SOCs as they are not subject to the payment of accounts provisions in s18 of the Public Finance and Audit Regulation. Pacific Power, as a statutory body, is still required to comply with this requirement.
Time for Payment of Accounts • reasons for late payments • interest paid due to late payments	Schedule 1 ARSBR	As above
Report on Risk Management and Insurance Activities	Schedule 1 ARSBR	Exemption subject to a condition. The condition is that the comments and information are to be disclosed in a summarised form.
Disclosure of Controlled Entities • details of objectives, operations, activities of controlled entities and measures of performance	Schedule 1 ARSBR	Exemption subject to a condition. The condition is that the names of the controlled entities are to be disclosed along with a summary of the controlled entities' objectives, operations and activities and measures of performance.
Investment Management Performance	cl. 12 ARSBR	
Liability Management Performance	cl. 13 ARSBR	
Financial Statements of Controlled Entities	s.7(1) (a) (ia) ARSBA	Exemption from preparing manufacturing and trading statements. Required to prepare a summarised Operating Statement (i.e. summarising major categories of revenues and expenses).

References

ARSBA – Annual Reports (Statutory Bodies) Act 1984
 ARSBR – Annual Reports (Statutory Bodies) Regulation 2000
 PF&AA – Public Finance & Audit Act 1993
 PF&A Reg – Public Finance and Audit Regulation 2000

The background of the page is a solid blue color. Overlaid on this background is a very faint, blurred image of several people in business attire, possibly in a meeting or office setting. The text 'FINANCIAL STATEMENTS' is centered on the page in a large, bold, black, sans-serif font. The word 'FINANCIAL' is on the top line, and 'STATEMENTS' is on the bottom line, with the 'S' in 'STATEMENTS' starting further to the left than the 'F' in 'FINANCIAL', creating a staggered effect.

FINANCIAL STATEMENTS



INDEPENDENT AUDIT REPORT
LANDCOM

OPINION TO
STONEY 10/10/2004

To Members of the New South Wales Parliament

Audit Opinion

In my opinion, the financial report of Landcom:

- (a) presents fairly Landcom's financial position as at 30 June 2004 and its financial performance and cash flows for the year ended on that date, in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia, and
- (b) complies with section 418 of the Public Finance and Audit Act 1983 (the Act).

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

The Board's Role

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

The Auditor's Role and the Audit Scope

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

My audit, according to Australian Auditing and Assurance Standards and statutory requirements, and I:

- evaluated the accounting policies and significant accounting estimates used by the Board in preparing the financial report, and
- examined a sample of the evidence that supports the amounts and other disclosures in the financial report.

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

My opinion does not provide assurance:

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

Audit Independence

The Audit Office complies with all applicable independence requirements of Australian professional ethical pronouncements. The Act further promotes independence by:

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

L. J. White

L. J. WHITE FCA
Assistant Auditor-General

SYDNEY
11 October 2004

LANDCOM

DIRECTORS' DECLARATION

In the opinion of the Directors of Landcom:

(a) The Financial Report:

- (i) exhibits a true and fair view of the financial position of Landcom as at 30 June 2004 and of their performance, as represented by the results of their operations and their cash flows for the year ended on that date,
- (ii) complies with applicable Accounting Standards, Urgent Issues Group Consensus Views and other mandatory and statutory reporting requirements including Part 3 of the Public Finance and Audit Act 1982 and the associated requirements of the Public Finance and Audit Regulation 2000,
- (b) We are not aware of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate,
- (c) There are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they fall due.

Signed in accordance with a resolution of the Directors:

W. Kirby-Jones
W. KIRBY-JONES
Chairman

S. O'Sullivan
S. OTOOLE
Managing Director

FOR THE
YEAR ENDED
30 JUNE 2004

STATEMENT OF FINANCIAL PERFORMANCE

	Notes	2004 \$'000	2003 \$'000
Sales revenue		333,254	281,222
Cost of sales		(170,737)	(137,284)
Gross Profit		162,517	143,938
Share of net profit of joint ventures accounted for using the equity method	11	957	10,518
Other revenue from ordinary activities	2	10,414	9,395
Marketing expense	3	(6,364)	(5,447)
Other expenses from ordinary activities	4	(29,745)	(26,420)
Borrowing costs expense	5	(12,372)	(13,297)
Profit from ordinary activities before income tax equivalent expense		125,407	118,687
Income tax equivalent expense		(37,815)	(35,606)
Net Profit		87,592	83,081
Total changes in equity other than those resulting from transactions with owners as owners	20	87,592	83,081

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

AS AT
30 JUNE 2004
**STATEMENT OF
FINANCIAL POSITION**

	Notes	2004 \$'000	2003 \$'000
Current Assets			
Cash assets	6	105,399	140,604
Receivables	7	20,570	8,415
Inventories	8	118,178	163,041
Other	9	7,263	38,086
Total Current Assets		251,410	350,146
Non-current Assets			
Receivables	7	35,708	–
Inventories	8	364,111	262,586
Property, plant and equipment	10	8,699	4,668
Investments accounted for using the equity method	11	4,094	4,322
Future income tax benefit	12	595	–
Total Non-current Assets		413,207	271,576
Total Assets		664,617	621,722
Current Liabilities			
Payables	13	88,502	54,700
Interest-bearing liabilities	15, 22	29,925	29,896
Income tax liabilities		17,828	10,494
Provisions	14	64,478	73,388
Deferred tax liabilities	16	23	–
Other	17	44	44
Total Current Liabilities		200,800	168,522
Non-current Liabilities			
Payables	13	11,119	9,144
Interest-bearing liabilities	15, 22	90,000	120,000
Provisions	14	6,554	5,689
Other	17	110	155
Total Non-current Liabilities		107,783	134,988
Total Liabilities		308,583	303,510
Net Assets		356,034	318,212
Equity			
Contributed equity	18	275,847	275,847
Asset revaluation	19	630	630
Retained profits	20	79,557	41,735
Total Equity		356,034	318,212

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

STATEMENT OF CASH FLOWS

	Notes	2004 \$'000	2003 \$'000
Cash flows from operating activities			
Receipts from customers		309,547	306,349
Interest received		4,166	4,967
Payments to creditors and employees		(216,657)	(191,059)
Income tax equivalent paid		(30,859)	(33,673)
Interest paid		(12,334)	(17,483)
Other payments		(3,237)	(6,100)
Net cash provided by/(used in) operating activities	21(b)	50,626	63,001
Cash flows from investing activities			
Distributions from joint ventures		1,385	46,679
Payments for investments in joint venture entities		-	(6,426)
Purchase of plant and equipment		(741)	(945)
Net cash provided by/(used in) investing activities		644	39,308
Cash flows from financing activities			
Receipts from Cogent Nominees		-	9,000
Repayments to Cogent Nominees		(9,000)	-
Repayment of borrowings		(30,000)	(72,568)
Dividends to NSW Treasury		(47,475)	(32,104)
Net cash used in financing activities		(86,475)	(95,672)
Net increase/(decrease) in cash held		(35,205)	6,637
Cash at the beginning of the financial year		140,604	133,967
Cash at the end of the financial year	21(a)	105,399	140,604

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

REPORTING ENTITY

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

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

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

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

Landcom also provides management services to the Crown Lands Homesites Program and Road and Traffic Authority's Chuliora Redevelopment.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 BASIS OF ACCOUNTING

The financial statements of Landcom are a general purpose financial report and have been prepared, except where otherwise stated, on an accrual basis at historical cost and in accordance with applicable Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB), Urgent Issues Group (UIG) Consensus Views, and the requirements of the

Public Finance and Audit Act 1983 and regulations. 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 AASB 6 *Accounting Policies* is considered.

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

1.2 REVENUE RECOGNITION

Land sales are recognised on settlement of a legally binding contract and receipt of the agreed settlement price. Landcom did not have any pre-completion sales contracts in place at 30 June 2004.

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

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

1.3 EXPENDITURE RECOGNITION

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

1.4 EMPLOYEE BENEFITS

All liabilities for employee benefits are fully provided for in accordance with the Australian Accounting Standards (refer to Note 14). Employee benefits applicable to Landcom are shown below.

Salaries and Annual Leave

Liabilities for salaries are calculated at nominal amounts based on current remuneration rates existing at the reporting date. Annual leave is calculated at future rates and based on Government Actuary advice of 2.5% from 1 July 2004. The amount reported as a liability represents the amount which Landcom has a present obligation to pay employees for salaries and annual leave including on-costs resulting from employees' services provided up to the reporting date.

Non-vesting Sick Leave

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

Long Service Leave

Long service leave is measured on a present value basis for all employees with five or more years of service. The provision is calculated using estimated future increases in salary rates including related on-costs. The rates and expected settlement dates are based on Treasury Circular NSW TC 03/08.

Superannuation

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

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

Redundancy Payments

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

Payroll Tax

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

1.5 INSURANCE

Landcom carries a comprehensive range of insurances covering property, public liability, motor vehicles and other contingencies through the Treasury Managed Fund. These insurance policies are reviewed annually to ensure that they are adequate and were current at 30 June 2004. No major claims exist under these policies at 30 June 2004 other than those disclosed under Note 24 (Contingent Liabilities).

1.6 LEASES

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

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

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

1.7 CAPITALISATION OF EXPENSES – DEVELOPMENT COSTS AND COST OF SALES

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

Overheads are capitalised to projects based on 7% of actual development expenditure incurred on individual projects.

1.8 INCOME TAX EQUIVALENT EXPENSE

Landcom was subject to notional taxation in accordance with the State Owned Corporation Act 1989. From July 2003 taxation liability has been assessed according to the National Tax Equivalent Regime of the NSW Treasury, which proposes as far as practical the adoption of the Commonwealth Income Tax Assessment Act 1936 (as amended) as the basis for determining taxation liability. Tax effect accounting procedures are followed whereby the income tax expense in the statement of financial performance is matched with the accounting profit after allowing for permanent differences. The future tax benefit relating to tax losses is carried forward as an asset as this benefit has largely arisen from the deductibility of provisions for restructure, annual leave, extended leave, doubtful debt, and accruals for lease liability, audit fee, annual report and difference between accounting and tax depreciation. There is high likelihood that the benefit will be fully realised in future periods. Income tax on cumulative timing differences is set aside to the deferred income tax or the

future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

1.9 DIVIDENDS TO THE NSW TREASURY

Landcom is required to pay dividends to the Consolidated Fund of NSW Treasury in accordance with the State Owned Corporations Act 1989. Dividends are currently paid at 40% of operating profit (2002/2003 40%).

1.10 GOODS AND SERVICES TAX

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

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

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

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

1.11 CASH

Cash comprises cash on hand and at the bank.

1.12 CASH EQUIVALENT ASSETS

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1.13 RECEIVABLES

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

1.14 INVENTORIES – LAND CLASSIFICATION

Inventories comprise undeveloped land, work in progress and developed land. Undeveloped land with medium to long-term development potential is classified as a non-current asset. Land is classified as work in progress while it is under development, that is, from the time contracts are signed for work to proceed. Developed land is land which has been subdivided and registered on completion of all development activity. Developed land and work in progress 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.

1.15 INVENTORIES – LAND VALUATION

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

1.16 LAND, BUILDINGS AND LEASEHOLD IMPROVEMENTS

Land and buildings are revalued every five years in accordance with Treasury

guidelines (see Note 1.24). The last revaluation was performed in June 2003 by an independent certified practising valuer. These values were based on land and building sales in the areas in which the properties are located. Additions since 30 June 2003 are stated at cost, which approximates to their fair value.

Buildings are depreciated over 14 years. A building for industrial use is being depreciated over 25 years.

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

1.17 PLANT AND EQUIPMENT

Plant and equipment are recorded at the cost of acquisition, plus major renovation or improvement costs, if any, and are shown at cost less accumulated depreciation. Depreciation on all plant and equipment is calculated on the basis of the useful life of the asset to Landcom using the straight-line method. The written down value of plant and equipment as at 30 June 2004 approximates fair value. Plant and equipment costing \$500 and above individually are capitalised.

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

- Computer equipment depreciated at 25%.
- Office equipment depreciated between 7% and 20%.

1.18 PAYABLES

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

invoice or statement is received. The Treasurer's Directions allow the Minister to award interest for late payment. No interest for late payment was made during the year.

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

1.19 INTEREST-BEARING LIABILITIES

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

1.20 DERIVATIVES

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

1.21 LEASE LIABILITIES

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

1.22 FINANCIAL INSTRUMENTS

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

Information is disclosed in Note 22, in respect of the credit risk and interest rate risk of financial instruments. All such amounts are carried at net fair value unless otherwise stated.

1.23 JOINT VENTURES

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

1.24 REVALUATION OF PHYSICAL NON-CURRENT ASSETS

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

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

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

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

Otherwise, any balances of accumulated depreciation existing at the revaluation date in respect of those assets are credited to the asset

accounts to which they relate. The net asset accounts are then increased or decreased by the revaluation increments or decrements.

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

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

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

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

1.25 PROVISIONS

The provision to complete projects captures all unpaid development costs, which were included in the original land development schedule. It is raised as an estimate based on known costs at the time when the land is ready for sales release. The provision also includes the value of works completed at 30 June 2004 of any performance building contracts entered into by Landcom.

Provisions for future rectification works relate to any matter outstanding on Landcom projects, which have for all intents and purposes been completed.

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

1.26 AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (AIFRS) DISCLOSURE

(i) Explanation of how the transition to AIFRS is being managed

Landcom will apply the AIFRS from the reporting period beginning 1 July 2005.

Landcom is managing the transition to the new standards by allocating internal resources and has engaged Chartered Accountants to analyse both the issued and pending standards and Urgent Issues Group Abstracts to identify key areas regarding policies, procedures, systems and financial impacts affected by the transition.

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

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

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

- Phase 1 Conduct an IFRS diagnostic (completed)

- Phase 2 Design and planning (in progress)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Phase 3 Solution developments

Phase 4 Implementation

Phase 5 Post implementation review

To date, Phase 1 – Diagnostic has been completed which entailed a review of current accounting policies and the likely impact of IFRS conversion on the business.

NSW Treasury is assisting agencies to manage the transition by developing policies, including mandates of options; presenting training seminars to all agencies; providing a website with up-to-date information to keep agencies informed of any new developments; and establishing an IAS Agency Reference Panel to facilitate a collaborative approach to manage the change.

(ii) Key differences in accounting policies

Landcom has identified a number of significant differences in accounting policies that will arise from adopting AIFRS. Some differences arise because AIFRS requirements are different from existing AASB requirements. Other differences could arise from options in AIFRS. To ensure consistency at the whole of government level, NSW Treasury has advised Landcom of options it is likely to mandate, and will confirm these during 2004/2005. This disclosure reflects these likely mandates.

Landcom's accounting policies may also be affected by a proposed standard designed to harmonise accounting standards with Government Finance Statistics (GFS). This standard is likely to change the impact of AIFRS and significantly affect the presentation of the income statement. However, the impact is uncertain, because it depends on when this standard is finalised and whether it can be adopted in 2005/2006.

Based on current information, the following key differences in accounting policies are expected to arise from adopting AIFRS:

- **AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*** requires retrospective application of the new AIFRS from 1 July 2004, with limited exemptions. Similarly, **AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*** requires voluntary changes in accounting policy and correction of errors to be accounted for retrospectively by restating comparatives and adjusting the opening balance of accumulated funds. This differs from current Australian requirements, because such changes must be recognised in the current period through profit or loss, unless a new standard mandates otherwise.

- **AASB 102 *Inventories*** – An entity may purchase or settle inventories on deferred settlement terms. When the arrangement effectively contains a financing element, that element, for example, a difference between the purchase price for normal credit terms and the amount paid, is recognised as interest expense over the period of the financing. Landcom will need to review the inventory balance by project and review outstanding contract terms to assess the requirement for discounting and recognising any interest element in the income statement.

- **AASB 110 *Events After the Balance Sheet Date*** states that only dividends "declared" appropriately "authorised" before the reporting date can be recognised. This is more restrictive than the current approach which is based on "valid expectations". However, this change is not expected to impact on dividend recognition as the signing of the Statement of Corporate Intent before the reporting

date to which it relates, "authorises" the dividend and any change in the amount of the dividend after the reporting date constitutes an "adjusting event after the reporting date".

However, the amount of the dividend may be affected by other AIFRS, such as **AASB 139 *Financial Instrument Recognition and Measurement*** and **AASB 119 *Employee Benefits*** (refer below) as these standards may impact on retained earnings (on first adoption) and the amount and volatility of profit/loss.

AASB 112 *Income Taxes* requires a balance sheet approach where the entity must identify differences between the accounting and tax value of assets and liabilities. The previous approach was to account for tax by adjusting accounting profit for temporary and permanent differences to derive taxable income. The AASB 112 approach may alter the quantum of tax assets and liabilities recognised.

In addition, the income tax expense and deferred tax assets and liabilities may be affected by other AIFRS to the extent that they impact on the balance sheet and profit or loss.

- **AASB 116 *Property, Plant and Equipment*** requires the cost and fair value of property, plant and equipment to be increased to include restoration costs, where restoration provisions are recognised under **AASB 137 *Provisions, Contingent Liabilities and Contingent Assets***.

Major inspection costs must be capitalised and this will require the fair value and depreciation of the related asset to be reallocated.

Landcom will be required to account for asset revaluation increments and decrements on an individual asset basis, rather than on a class basis. This change may decrease accumulated funds.

• AASB 117 *Leases* requires operating lease contingent rentals to be recognised as an expense on a straight-line basis over the lease term rather than expensing in the financial year incurred.

• AASB 119 *Employee Benefits* requires the defined benefit obligation to be discounted using the government bond rate as at each reporting date rather than the long-term expected rate of return on plan assets. This will increase the amount and the future volatility of the unfunded superannuation liability and the volatility of the employee benefit expense. This change may also have implications for Landcom where there exist any wages, salaries and leave entitlements payable beyond 12 months, as these will be required to be discounted to present value.

• AASB 123 *Borrowing Costs* provides the option to expense or capitalise borrowing costs. NSW Treasury is likely to mandate expensing of borrowing costs to harmonise with GFS. Previously, borrowing costs related to qualifying assets were capitalised.

• AASB 132 *Financial Instrument Disclosure and Presentation* prohibits in-substance defeasance. Agencies can no longer offset financial assets and financial liabilities when financial assets are set aside in trust by a debtor for the purposes of discharging an obligation, without assets having been accepted by the creditor in settlement of the obligation. This will have the effect of increasing both assets and liabilities but will have no net impact on equity.

• AASB 136 *Impairment of Assets* requires an entity to assess at each reporting date whether there is any indication that an asset (or cash generating unit) is impaired and if such indication exists, the entity must

estimate the recoverable amount. However, the effect of this Standard should be minimal because all the substantive principles in AASB 136 are already incorporated in Treasury's policy Valuation of Physical Non-current Assets at Fair Value.

• AASB 138 *Intangibles* requires that all research costs must be expensed and restricts capitalisation of development costs. Some previously recognised internally generated intangible assets may need to be derecognised. Further, intangible assets can only be revalued where there is an active market, which is unlikely to occur. As a result, it is likely that any revaluation increments will need to be derecognised and intangible assets recognised at cost.

• AASB 139 *Financial Instrument Recognition and Measurement* results in the recognition of financial instruments that were previously off balance sheet, including derivatives. The standard adopts a mixed measurement model and requires financial instruments held for trading and available for sale to be measured at fair value and valuation changes to be recognised in profit or loss or equity, respectively. Previously they were recognised at cost. This may increase the volatility of the operating result and balance sheet.

The standard also includes stricter rules for the adoption of hedge accounting, and where these are not satisfied, movements in fair value will impact the income statement.

To achieve full harmonisation with GFS, Landcom would need to designate all financial instruments at fair value through profit or loss. However, at this stage it is unclear whether this option will be available under the standard and, if available, whether Treasury will mandate this option for all agencies.

AASB 139 requires entities to separate embedded derivatives from the host contract and to account for them separately. Landcom will need to conduct a further investigation to ensure that no embedded derivatives exist.

• AASB 140 *Investment Property* requires investment property to be measured at cost or fair value. NSW Treasury is likely to mandate the adoption of fair value. In contrast to current treatment as an asset classified within property, plant and equipment, investment property recognised at fair value is not depreciated and changes in fair value are recognised in the income statement. NSW Treasury is likely to mandate that any investment property interest held by a lessee under an operating lease should be classified and accounted for as investment property. Previously such operating lease payments were accounted for as an expense over the lease term based on the pattern of benefits.

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	2004 \$'000	2003 \$'000
2 OTHER REVENUE FROM ORDINARY ACTIVITIES		
Interest from bank	463	934
Interest from investment	3,122	3,564
Interest from loan receivable	1,398	—
Interest from late settlement	616	356
Management fee – Crown Lands Homesites Program	4,127	2,696
Other management fees	—	925
Rental income	344	418
Other	344	502
	10,414	9,395
3 MARKETING EXPENSES		
Advertising	5,117	4,274
Sales contractors and commission	313	683
Other	934	490
	6,364	5,447
4 OTHER EXPENSES FROM ORDINARY ACTIVITIES		
Salaries and other staff costs	12,791	10,478
Employees' entitlements		
Superannuation	933	1,712
Long service leave	271	645
Recreation leave	945	649
General administrative costs	10,079	8,715
State taxes		
Land tax	10,790	7,272
Stamp duty	—	4
Project costs written off	1,141	5,176
Property and accommodation expenses	987	1,019
Consultancy fees	128	285
Auditors' remuneration – audit financial statements	136	121
Depreciation and amortisation	1,026	928
Bad debts	54	—
Written down value of assets disposed	1	91
	39,282	37,095
Transfer of capitalised costs to inventories	(9,537)	(10,675)
	29,745	26,420

	2004 \$'000	2003 \$'000
5 BORROWING COSTS		
Interest	7,753	9,454
Interest rate swap	(55)	31
Amortisation of loan premium	29	(206)
Government guarantee fee	4,645	4,018
	12,372	13,297
6 CASH ASSETS		
Cash	13,951	20,866
Cash equivalent assets – Hour-Glass Facility Trusts	91,448	119,738
	105,399	140,604
7 RECEIVABLES		
Current		
Trade receivables	18,277	7,557
Provision for doubtful debts	(39)	—
Crown Lands Homesites Program	—	507
NSW Treasury Corporation	161	48
Accrued interest	78	41
Development bonds	2,093	235
Other	—	1
Joint venture receivables	—	26
	20,570	8,415
Non-current		
Trade receivable	20,000	—
Loans receivable	15,708	—
	35,708	—

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

The amount of \$15,708 million for loans receivable consists of two components. The first one is an interest bearing loan of \$13,051 million (principal and accumulated interest at 12%) for a deferral of payment for the Wollie Creek Interciti Development Project, which is repayable, including interest, by December 2005. The second component is for second mortgages with purchasers of 22 properties sold at Stanhope Gardens amounting to \$2,657 million as part of Landcom's moderate income housing program. The second mortgages must be repaid within 15 years or on sale of the properties, whichever comes first.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2004 \$'000	2003 \$'000
8 INVENTORIES		
Current		
Works in progress of land at cost	77,896	119,231
Developed land at cost	40,282	43,810
	118,178	163,041
Non-current		
Undeveloped land at cost	364,111	262,586
Land held for resale	482,289	425,627
Details of land held for resale are:		
Acquisition costs	273,581	238,956
Development costs	173,896	152,200
Other costs	34,812	34,471
	482,289	425,627
9 OTHER		
Prepayments	6,978	37,708
Prepaid superannuation contribution	285	378
	7,263	38,086
10 PROPERTY, PLANT AND EQUIPMENT		
Land		
At fair value	970	970
	970	970
Buildings		
At fair value	5,016	860
Accumulated depreciation	(113)	—
	4,903	860
Leasehold improvements		
At fair value	2,212	2,214
Accumulated depreciation	(874)	(480)
	1,338	1,734
Plant and equipment		
At fair value	5,239	4,604
Accumulated depreciation	(3,751)	(3,500)
	1,488	1,104
Total property, plant and equipment		
At net book value	8,699	4,668

Reconciliations

	Land \$'000	Buildings \$'000	Leasehold improvements \$'000	Plant and equipment \$'000	Total \$'000
2004					
Carrying amount at 1 July 2003					
At fair value	970	860	1,734	1,104	4,668
Additions	—	4,156	14	904	5,074
Adjustments	—	—	(16)	—	(16)
Disposals	—	—	—	(1)	(1)
Depreciation expense	—	(113)	(394)	(519)	(1,026)
Total	970	4,903	1,338	1,488	8,699
Carrying amount					
At fair value	970	4,903	1,338	1,488	8,699
Total	970	4,903	1,338	1,488	8,699

11 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

JOINT VENTURE ENTITIES

Name of joint venture entity	Principal activity	Ownership interest 2004 %	Ownership interest 2003 %
East Fairfield Project Joint Venture	Development for Retail Sales	50	50
Jannali Project Joint Venture	Development for Retail Sales	50	50
Kings Bay Five Dock Project Joint Venture	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 Project Joint Venture	Development for Retail Sales	50	50
Little Bay Project Joint Venture	Development for Retail Sales	50	50
Landcom's equity in the above joint venture projects is detailed below:		2004 \$'000	2003 \$'000
Movement in investment in joint venture entities			
Carrying amount of investment at the beginning of the financial year		4,322	34,203
Adjustments to opening retained profits		200	—
Equity accounted amount of investment at the beginning of the financial year		4,522	34,203
Share of net profit		957	10,518
Acquisition of additional interest in joint venture entities		—	6,280
Distribution from joint venture entities		(1,385)	(46,679)
Equity accounted amount of investment at the end of the financial year:		4,094	4,322

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2004 \$'000	2003 \$'000
11 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)		
Movement in investment in joint venture entities		
Current Assets		
Cash	472	2,029
Receivables	212	207
Inventories	31	(292)
Others	2	26
Non-current Assets		
Inventories	12,943	10,923
Current Liabilities		
Payables	104	380
Loan payable	70	14
Provisions	192	935
Interest-bearing liabilities	—	7,206
Other	—	36
Non-current Liabilities		
Interest-bearing liabilities	9,200	—
Net Assets	4,094	4,322
Share of net profit of joint venture entities		
Revenue from ordinary activities	568	51,695
Expenses from ordinary activities	389	(41,177)
Profit from ordinary activities before income tax	957	10,518
Income tax equivalent attributable to operating profit	(287)	(3,155)
Net profit	670	7,363
Landom's share of expenditure commitments and contingent liabilities of joint venture entities are disclosed in Notes 23 and 24.		
12 FUTURE INCOME TAX BENEFITS		
Future income tax benefit comprises the estimated future benefit at the applicable rate of 30% on the following items:		
Difference in depreciation of plant and equipment, buildings, structural improvements and minor property	68	—
Provision and accrued employee entitlements not currently deductible	421	—
Sundry items	106	—
	595	—

	2004 \$'000	2003 \$'000
13 PAYABLES		
Current		
Trade payables	49,896	11,615
Security deposits	2,990	2,840
Trust funds and deposits held	4,398	7,161
Accrued expenses	23,955	18,359
Retentions	271	933
Land tax equivalent	6,992	4,592
NSW Treasury Corporation	-	9,000
	88,502	54,700
Non-current		
Security deposits	10,584	9,144
Accrued expenses	535	-
	11,119	9,144
14 EMPLOYEE BENEFITS AND OTHER PROVISIONS		
Employee benefits – Current		
Provision for annual leave	1,004	950
Provision for long service leave	256	303
Provision for superannuation liability	1,386	1,840
Accrued salaries, wages and on-costs	222	456
Other	193	62
	3,061	3,611
Employee benefits – Non-current		
Provision for long service leave	2,473	2,621
Accrued on-costs	373	396
	2,846	3,017
Total employee benefits	5,907	6,628

An actuarial assessment of the superannuation schemes as at 30 June 2004 was carried out by Pillar Administration (Funds actuary) in accordance with AAS25 guidelines. Rate of investment return for 2003/2004 and each of the following years assumed at 7% p.a., rate of salary and CPI increase is 4% and 2.5% p.a. respectively for 2003/2004 and each of the following years.

Assumptions with regard to rates of mortality, resignation, retirement and other demographics are those that were used in the 2003 triennial valuation. The actuary concluded that, with the exception of the SSS scheme, the assets of the schemes SASS and SANCS were sufficient to meet all benefits payable in the event of the scheme's termination, or the voluntary or compulsory termination of employment of each employee belonging to those schemes. The deficiency in the SSS scheme at 30 June 2004 was \$1,385,624 and has been provided for.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

14 EMPLOYEE BENEFITS AND OTHER PROVISIONS (Continued)

	Total accrued benefits \$'000	Plan assets at net market value \$'000	Project/ unfunded \$'000
State Authorities Superannuation Scheme (SASS)	2,594	2,798	204
State Authorities Non-Contributory Superannuation Scheme (SANCS)	1,012	1,094	82
State Superannuation Scheme (SSS)	6,628	5,242	(1,386)
	10,234	9,134	(1,100)
		2004 \$'000	2003 \$'000
Other Provisions – Current			
Provision to complete projects		10,254	21,302
Provision for distribution to NSW Treasury		50,163	47,475
Provision for future rectification works		1,000	1,000
		61,417	69,777
Other Provisions – Non-current			
Provision to complete projects		1,097	–
Provision for future rectification works		2,611	2,672
		3,708	2,672
Total current and non-current employee benefits and other provisions			
Current liability		64,478	73,388
Non-current liability		6,554	5,689
		71,032	79,077
Reconciliations of the carrying amount of each class of provision, except for employee benefits are set out below:			
	Provision for distribution to NSW Treasury \$'000	Provision for rectification works \$'000	Provision to complete projects \$'000
Carrying amount at beginning of year	(47,475)	(3,672)	(21,302)
Additional provisions recognised	(50,163)	–	(4,110)
Reductions in provisions from payments	47,475	61	13,040
Reductions in provisions from remeasurement	–	–	1,021
	(50,163)	(3,611)	(11,351)

	2004 \$'000	2003 \$'000
15 INTEREST BEARING LIABILITIES		
Unsecured loans at face value	120,000	150,000
Unamortised premiums	(75)	(104)
	119,925	149,896
16 DEFERRED TAX LIABILITIES		
Provision for deferred income tax comprises the future benefit at the applicable rate of 30% on the following items:		
Accrued for interest not currently taxable	23	—
	23	—
17 OTHER		
Lease incentive:		
Current Liability	44	44
Non-current Liability	110	155
	154	199
18 CONTRIBUTED EQUITY		
Balance at the beginning of financial year	275,847	275,847
Balance at end of financial year	275,847	275,847
19 RESERVES		
Asset revaluation		
Asset revaluation reserve at the beginning of the financial year	630	—
Revaluation increment – Land and buildings	—	630
	630	630
The asset revaluation reserve is used to record increments and decrements on the revaluation of physical non-current assets.		
20 RETAINED PROFITS/(ACCUMULATED LOSSES)		
Accumulated profit/(losses) at beginning of financial year	41,735	6,129
Changes in equity – other than transactions with owners as owners		
Net profit	87,592	83,081
Adjustments to opening retained profits from joint ventures	200	—
Adjustments to opening retained profits for adoption of NTER	193	—
Changes in equity – transactions with owners as owners		
Dividends to NSW Treasury	(50,163)	(47,475)
Balance at end of financial year	79,557	41,735

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2004 \$'000	2003 \$'000
21 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	105,399	140,604
(b) Reconciliation of net cash provided by operating activities to net profit:		
Net profit from ordinary activities after income tax equivalent	87,592	83,081
Depreciation and amortisation	1,026	928
(Profit)/Loss from sale of plant	1	91
Bad debts	54	—
Write down premium on loans	29	(206)
Share of joint venture entities' profit	(957)	(10,518)
Interest rate swap	(55)	—
Change in assets and liabilities		
Increase/(decrease) in provisions	(1,423)	14,537
Increase/(decrease) in payables	42,217	(9,595)
(Increase)/decrease in receivables	(17,040)	(6,938)
(Increase)/decrease in inventory	(60,818)	(8,379)
Net cash provided by operating activities	50,626	63,001
22 FINANCIAL INSTRUMENTS		
(This Note is to be read in conjunction with Note 1.22.)		
(a) Interest rate risk		
Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in market interest rates. Landcom's exposure to interest rate risks and the effective interest rates of financial assets and liabilities, both recognised and unrecognised at the balance date, is minimal. Landcom's debt portfolio is managed by TCorp, the appointed debt management contractor.		
(b) Credit risk		
Credit risk is the risk of financial loss arising from another party to a contract of 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 Standards & Poors.		

22 FINANCIAL INSTRUMENTS (Continued)

2004 Financial instrument	Notes	Floating interest rate \$'000	Fixed interest rate maturing in:				Non-interest- bearing \$'000	Carrying amount as per the Statement of Financial Position \$'000
			1 year or less \$'000	Over 1 but not later than 2 years \$'000	Over 2, but not later than 5 years \$'000	More than 5 years \$'000		
Financial assets								
Cash assets	6,21	105,381					18	105,399
Receivables	7				13,051		43,227	56,278
Total financial assets		105,381			13,051		43,245	161,677
Weighted average interest rate		4.80%			12.0%			
Financial liabilities								
Interest bearing	15	–	29,925	30,000	60,000			119,925
Payables	13						61,557	61,557
Total financial liabilities		–	29,925	30,000	60,000		61,557	181,482
Weighted average interest rate			5.65%	5.75%	5.37%			
Net financial assets/(liabilities)		105,381	(29,925)	(30,000)	(46,949)		(18,312)	(19,805)
2003 Financial instrument	Notes	Floating interest rate \$'000	Fixed interest rate maturing in:				Non-interest- bearing \$'000	Carrying amount as per the Statement of Financial Position \$'000
			1 year or less \$'000	Over 1 but not later than 2 years \$'000	Over 2, but not later than 5 years \$'000	More than 5 years \$'000		
Financial assets								
Cash assets	6,21	140,586					18	140,604
Receivables	7						8,415	8,415
Total financial assets		140,586					8,433	149,019
Weighted average interest rate		4.43%						
Financial liabilities								
Interest bearing	15	–	29,896	30,000	90,000			149,896
Payables	13						18,976	18,976
Total financial liabilities		–	29,896	30,000	90,000		18,976	168,872
Weighted average interest rate			5.45%	5.65%	5.49%			
Net financial assets/(liabilities)		140,586	(29,896)	(30,000)	(90,000)		(10,543)	(19,853)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

22 FINANCIAL INSTRUMENTS (Continued)

(c) Net fair value

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

	2004 Carrying amount \$'000	2004 Net fair value \$'000	2003 Carrying amount \$'000	2003 Net fair value \$'000
On Statement of Financial Position				
Financial Instruments				
Financial assets				
Cash	105,399	105,399	140,604	140,604
Receivables	56,278	56,278	8,415	8,415
Total financial assets	161,677	161,677	149,019	149,019
Financial liabilities				
Payables	61,557	61,557	18,976	18,976
Interest-bearing	119,925	120,770	149,896	153,936
Total financial liabilities	181,482	182,327	168,872	172,912
Net financial liabilities	(19,805)	(20,650)	(19,853)	(23,893)

(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 transactions in derivative financial instruments outstanding at 30 June 2004 is as follows:

	2004 \$'000	2003 \$'000
Derivative financial instruments receivable/(payable)		
Loan receivable/(payable) from/to TCorp	122	(4)
Net amount receivable/(payable) under derivative financial instruments	122	(4)

	2004 \$'000	2003 \$'000
23 EXPENDITURE COMMITMENTS		
(a) Expenditure commitments:		
Aggregate expenditure for land development contracted for at balance date but not provided for:		
Not later than one year	95,682	76,411
Later than one year but not later than five years	60,781	12,700
Later than five years	22,143	—
Total (including GST)	178,606	89,111
The total expenditure commitments above include input tax credits of \$5.7 million that are expected to be recoverable from the ATO (30 June 2003 – \$8.1 million).		
(b) Operating lease commitments		
Future non-cancellable operating lease rentals not provided for and payable:		
Not later than one year	1,110	1,004
Later than one year but not later than five years	2,480	2,245
Later than five years	—	—
Total (including GST)	3,590	3,249
The total lease expenditure commitments above include input tax credits of \$326,000 that are expected to be recovered from the ATO (30 June 2003 – \$295,000).		

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

24 CONTINGENT LIABILITIES

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

- (a) The Little Bay Joint Venture Project is being debt funded through the joint venture partner. Landcom has executed a takeout agreement that has a possible forward contingent liability. In return, Landcom would receive property to an estimated value of the liability, if ever the takeout agreement is effected. The project is proceeding satisfactorily and therefore the contingent liability is considered remote in most instances.
- (b) Landcom has commenced the Stanhope Gardens Development Project. The contract contains certain indemnities and liabilities in the event of forced termination by either party. The contingent liability if the termination should occur is valued at the total land development costs and the building costs properly incurred by the contractor. In return, Landcom would receive property to an estimated total value of the liability. As early termination is considered remote no attempt has been made to estimate the contingent liability.
- (c) Landcom has commenced the Greenway Park Project. The contract contains certain indemnities and liabilities in the event of forced termination by either party. The contingent liability if the termination should occur is valued at the total land development costs and the building costs properly incurred by the contractor. In return, Landcom would receive property to an estimated total value of the liability. As early termination is considered remote no attempt has been made to estimate the contingent liability.
- (d) Landcom has commenced the Macarthur Project. The contract contains certain indemnities and liabilities in the event of forced termination by either party. The contingent liability if the termination should occur is valued at the total land development costs and the building costs properly incurred by the contractor. In return, Landcom would receive property to an estimated total value of the liability. As early termination is considered remote no attempt has been made to estimate the contingent liability.
- (e) Road repairs are required to Landcom constructed roads that have now failed in the Narrelean release area. A letter from the Director of Housing in October 1988 guaranteed that the Department would undertake repairs of any major structural failures for a period of 20 years. The cost is not quantifiable at this stage.
- (f) Landcom has commenced the Rouse Hill Regional Centre Project. The Department of Infrastructure, Planning and Natural Resources (DIPNR) has contracted Lend Lease Pty Ltd and General Property Trust (GPT) to undertake the project. If Lend Lease and GPT create an event of default under the contract, Landcom may be required to purchase the site from DIPNR for a total amount of \$71 million.
- (g) Landcom has commenced the Second Ponds Creek project. The contract contains certain indemnities and liabilities in the event of forced termination by either party. The contingent liability if the termination should occur is valued at the total land development costs and the building costs 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.
- (h) Landcom has five public liability claims outstanding with a total upper limit of \$1,596,000 and all are covered by insurance.

There are no contingent liabilities arising from joint venture entities.

25 DIRECTORS' REMUNERATION

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

	2004	2003
\$10,000 – \$19,999	–	–
\$20,000 – \$29,999	1	–
\$30,000 – \$39,999	–	1
\$40,000 – \$49,999	–	1
\$50,000 – \$59,999	–	1
\$60,000 – \$69,999	2	1
\$70,000 – \$79,999	1	2
\$80,000 – \$89,999	2	–

Fees paid or payable to Board Directors during the year amounted to \$394,142 (2002/2003 – \$371,593). The Managing Director does not receive a board fee.

26 RELATED PARTY TRANSACTIONS

(a) Directors

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

William Kirby-Jones AM (Chairman)
Sean O'Toole (Managing Director)
Neil Bird AM
Penny Morris AM
Chris Carroll
Gae Raby
Robyn Clubb

Remuneration received or receivable by Directors of each entity is disclosed in Note 25. All transactions by Landcom with Director-related entities are conducted on an arm's length basis in the normal course of business and on commercial terms and conditions.

END OF AUDITED FINANCIAL STATEMENTS

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ACCESS

Landcom's head office is open from Monday to Friday between the hours of 8.00 am and 6.00 pm (except Public Holidays).

Landcom's other offices at Campbelltown, Newcastle, Zetland and Little Bay are open between the hours of 9.00 am and 5.00 pm.

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

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