



LANDCOM

LANDCOM ANNUAL REPORT

12



Ministers' letter

The Hon Mike Baird MP

Treasurer

Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000

The Hon Greg Pearce MLC

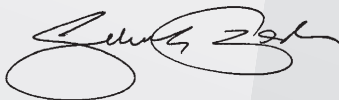
Minister for Finance and Services
Minister for the Illawarra

Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000

31 October 2012

Dear Treasurer and Minister

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 2012. The report has been prepared in accordance with the Annual Reports (Statutory Bodies) Act 1984 and the applicable provisions of the Public Finance and Audit Act 1983.



John Brogden
Chairman



Sean O'Toole
Managing Director



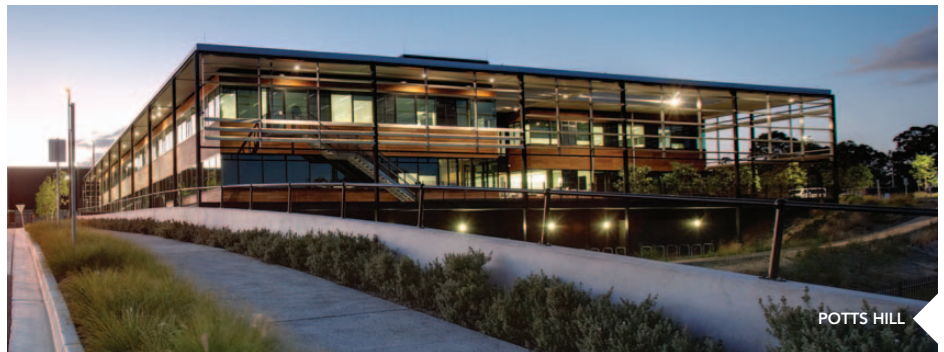
VICTORIA PARK



THE PONDS



ORAN PARK



POTTS HILL

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2012 is significant for the Corporation, since it will be Landcom's last Annual Report as we transform to become UrbanGrowth NSW.

Chairman's review

On behalf of the Board of Directors, our management and staff, I am pleased to present Landcom's 2012 Annual Report.

2012 is significant for the Corporation, since it will be Landcom's last Annual Report as we transform to become UrbanGrowth NSW. This is a pivotal moment for Landcom and involves a significant expansion of our role within government. As UrbanGrowth NSW our objective will be to create the conditions that enable industry to deliver housing and economic growth for the people of New South Wales. Our first challenge will be to address Sydney's low housing starts, which were the lowest in 50 years in 2010.

Throughout Landcom's history we have always added value in everything we do, and in a manner that cannot be replicated by others. The Corporation has continued to evolve and adapt over the years, in response to changing government priorities and market demands. Our evolution to UrbanGrowth NSW is the next, much more significant step on this journey. It's a powerful endorsement of Landcom's skills, good standing within the NSW property industry and, perhaps most of all, our ability to get things done.

You will find documented within this report a very significant record of our project and sustainability achievements over the past 12 months. We are particularly proud of our progress in delivering on the government's objective of 10,000 new homesites across western Sydney over four years, which involved a significant 25% increase in our planned production.

But while it was very much business as usual, the Board and staff also worked tirelessly to begin the process of repositioning the Corporation to meet the challenging agenda posed for us by government. This included ensuring that we continued to meet the needs and expectations of our government, council and private sector stakeholders. It's a testament to our staff that they maintained their focus and continued to deliver strong results in an environment of change. It also reflects the strong cooperation and support we continue to enjoy from our

development industry partners and the relationships we foster with the many people who work with us in our business.

Our activities are self funding and have proven to be self sustaining over the years. For the 15th consecutive year, we met or exceeded our financial targets. Net profit after tax was \$48.9M, which was \$11.2M more than forecast, and we returned \$54.8M to the government in dividends and income tax equivalents. In spite of the continuing economic uncertainty and a depressed housing market, we remain a reliable contributor to the state's finances.

I thank my fellow Directors and, in particular, Landcom's Managing Director, Sean O'Toole for his wise counsel. As Chairman I have been aided by the enthusiasm and the depth of talent among my fellow Directors Robyn Clubb, Robert Hamilton and Bonnie Boezman AO, and our magnificent staff.

I wish to commend the former Chairman and Deputy Chairman, both of whom retired from the Board during the year, after over 30 combined years of service to Landcom. The tireless work of William Kirkby-Jones AM and Neil Bird AM has been the driving force behind Landcom's present position in the market. On behalf of the Board and staff I extend our thanks and gratitude.

A handwritten signature in blue ink, reading 'John Brogden'.

John Brogden
Chairman

Managing Director's review

The past year has been one of transition for Landcom, culminating in government's announcement in June to integrate and refocus Landcom and the Sydney Metropolitan Development Authority, creating UrbanGrowth NSW. The challenge for the new organisation is to drive investment into the NSW economy, increase development activity and assist the government to increase housing production in Sydney to 25,000 dwellings per annum.

During the year we maintained our focus on our existing work program while also keeping a weather eye on our likely future role. By year's end, we had developed several strategies for the future, which also had in-principle support across government. Our first priorities include coordinating and delivering lead-in infrastructure and services to fast-track development and working across government to facilitate urban renewal and other development opportunities. These initiatives are all designed to involve the private sector and to promote greater housing choice and affordability.

As I mentioned, this groundbreaking work was undertaken while the organisation continued to deliver on its current commitments. We ramped up production significantly during the year and we achieved our housing targets in spite of record wet weather over the 2011-2012 summer, delivering over 2,000 homesites across 10 projects. This was the highest rate of production achieved by Landcom in western Sydney for 20 years. As you will find later in this report, we also achieved critical milestones on projects that will change the face of Metropolitan Sydney.

We finally entered the delivery phase for the Green Square Town Centre project during the year. We also began work on several large transit-oriented 'greenfield' projects at Edmondson Park and North Penrith, as well as an exciting new project in the Newcastle CBD. These capitalise on the availability of public transport and deliver a wide range of housing types as well as retail, commercial and community uses. Our involvement at Edmondson Park has unlocked one of the last major obstacles to the construction of the South West Rail Link and we expect our Newcastle project to serve as an

important catalyst for further investment in the Hunter.

At Oran Park, we were well underway in delivering all the elements of a major new community by the end of the reporting period. With large scale housing construction commenced, the first private school at Oran Park opened, followed soon after by a firm commitment for the construction of a public primary school for 600 students. We also launched our plans for the first stage of a brand new town centre, which were subsequently approved. As well, Camden Council agreed to relocate its headquarters to Oran Park, which confirmed the pivotal role the new town centre will play in the future of southwestern Sydney.

We maintained our reputation as an industry leader, with notable achievements in sustainability, innovation and design. We opened our ground-breaking Eco-Living display village at The Ponds during the year, and our Bunya project became the first new housing development in the country to be fully equipped and connected to the national broadband network. We also began a national rollout of PRECINX®, our unique software tool capable of modelling the environmental, social and economic performance of whole precincts or neighbourhoods.

Our achievements equip us well for our emerging role. However, while our focus is changing, our values are not. We remain committed to building and maintaining good relationships, encouraging a 'can do', problem-solving culture among our people and developing sustainable places.

I am confident and enthusiastic about the future, buoyed in no small measure by the distinguished credentials and experience of our new Chairman, our Board and management team. I also remain indebted to our very talented and hard-working staff, without whom our evolution to UrbanGrowth NSW would not be possible.



We remain committed to building and maintaining good relationships, encouraging a 'can do', problem-solving culture among our people and developing sustainable places.

Sean O'Toole
Managing Director

Board of Directors



John Brogden

MPA, MAICD

Chairman

John Brogden is the CEO of the Financial Services Council, which represents Australia's retail and wholesale funds management businesses, superannuation funds, life insurers, financial advisory networks, trustee companies and public trustees.

Prior to this role, John held the position of CEO of Manchester Unity and was the Chairman of Abacus Australian Mutuals.

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

John is also a Director of NIA Pty Ltd, Chairman of Furlough House Retirement Village, Member of the Advisory Boards of the Brain & Mind Research Institute and the AMA (NSW) Charitable Foundation. John is also the Patron of Lifeline Australia, Sailability Pittwater, Bilgola Surf Lifesaving Club and Avalon Beach Surf Lifesaving Club.



Robyn Clubb

B ECON, CA, F.FIN, MAICD

Deputy Chairman

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

Robyn has worked at a senior management level in New Zealand, China and the United Kingdom and has extensive experience as a company director in executive and non-executive capacity in government, not for profit and private sectors.



Sean O'Toole

DIP T&CP, DIP ENV STUDIES, FAICD, FRAP

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, a Fellow of the Australian Institute of Company Directors, and has qualifications in real estate valuation, town planning and environmental management.



Bonita Boezeman

AO PMD Harvard, FAICD

Ms Boezeman worked for Time Warner Inc for 23 years in Europe and Australia. Her last position was as Managing Director of Time Life, South Pacific. Bonita has had extensive experience in marketing, finance, strategy, retail, internet, entertainment and over 10 years as a board director in the government property sector in Sydney and Canberra.

Bonita is the Chairman of PayPal Aust. Pty Ltd and has experience on public and governmental boards. She is on several not for profit boards most notably Aurora Community Television, NSW Olympic Committee and ARS Musica Australis. Bonita was made an Officer in the Order of Australia in 2003 and awarded the Centenary Medal the same year.



Robert Hamilton

Mr Hamilton's career spans over 50 years in the property industry and he is a qualified real estate valuer.

After founding and running Hamilton & Co Real Estate for more than 10 years, Robert co-founded The Mirvac Group in 1972; retiring as Managing Director in 2005.

Robert is an Advisory Board Member for the Salvation Army and advises a number of charitable organisations. He is regularly called upon to provide property advice across the development industry.

Management team



Michael Brodie

B EC, CA, GAICD

General Manager Finance & IT

Michael manages the finance, IT and business services functions across Landcom, ensuring there is a sufficient level of business infrastructure in place. Michael is an experienced CFO with over 20 years of senior financial and commercial experience in dynamic investment, aged care and property development organisations.



Stuart McCowan

MBA, HDIP ENG

General Manager Development

Stuart manages Landcom's urban renewal projects across NSW. Prior to this, he managed a number of major urban development projects in the northwest sector. Stuart has more than 30 years' experience in the development industry, covering construction, infrastructure provision, planning and urban development in both the government and private sectors. Stuart sits on the Urban Development Industry Association's Urban Renewal Committee, providing advice on issues relating to urban renewal across NSW to both the government and private sector.



Mick Owens

B SURV, MIS

General Manager Development

Mick leads an urban development team responsible for delivering a significant Landcom project at Oran Park in southwest Sydney.

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

Mick has almost 30 years' experience in the property development industry. He is fostering innovation, sustainability and higher quality development, particularly within major growth centres.



Kerry Robinson

BTP (HONS), ASS DIP VAL, GAICD

General Manager Development

Kerry manages Landcom's urban development projects in Sydney's north and west, as well as the Central Coast, Hunter and Mid-North Coast. He has more than 30 years' experience in the property industry, having worked in local government, private consultancy and a range of private sector development organisations. Kerry has town planning, valuation, project management and development expertise and has lectured at the University of New South Wales. Kerry is also a Board Member of the NSW Architects Registration Board.



Greg South

B EC, CPA

Chief Operating Officer

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

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



Robert Sullivan

DIP TECH MKTG, MGMT

General Manager Corporate Marketing

Robert has directed Landcom's sales, promotions and corporate marketing activities including media/public relations, brand management and sponsorship for the past five years. He has over 25 years' experience in sales and marketing, featuring head of marketing roles within the development, gaming, entertainment, television, club and sports industries. Robert leads a motivated sales and marketing team, dedicated to positioning Landcom as a recognised industry leader and assisting the operational divisions of Landcom in achieving their objectives.



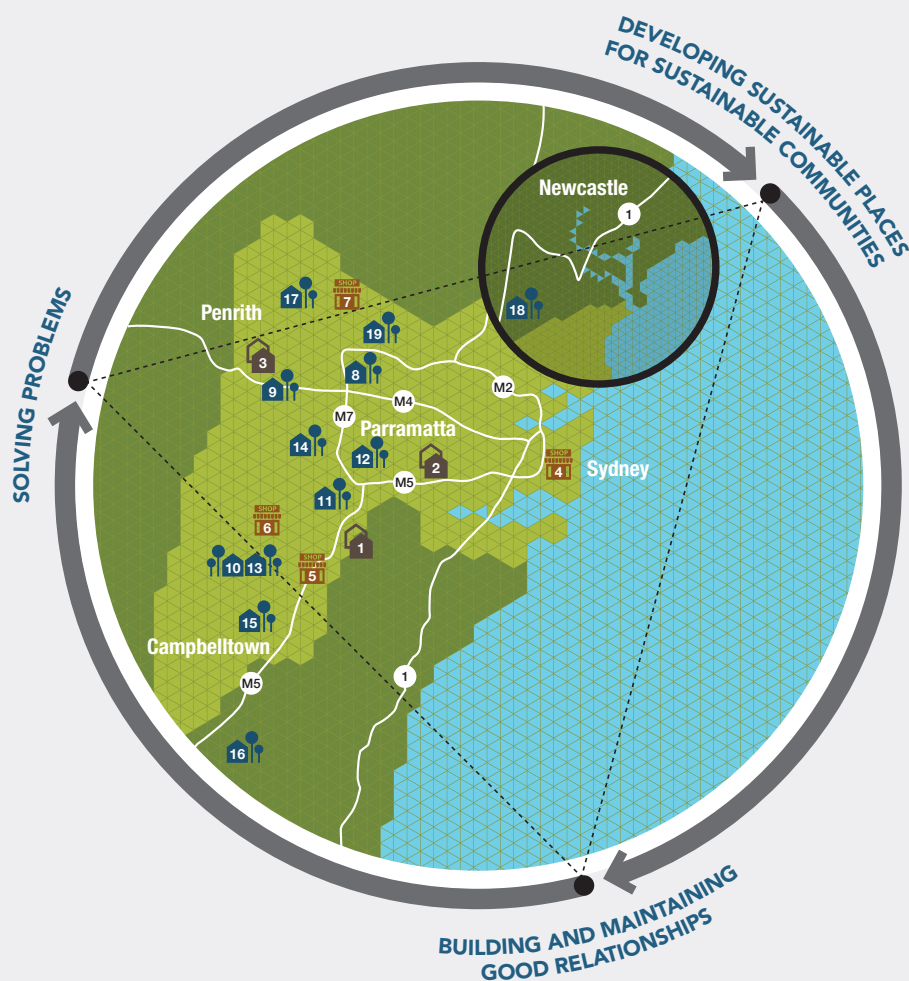
Richard Wood

B APP SCI (Planning) with Honours

General Manager Development

Richard manages Landcom's urban development projects in Sydney's southwest and the Illawarra. He has more than 20 years' experience in the property industry, having worked in both the public and private sectors in the fields of land development, building, urban design and planning. Richard also manages Landcom's Operations Unit responsible for sustainability, builder, project management and civil and landscape contractor coordination across Landcom.

Our organisation



OUR PROJECTS



Renewing urban areas

- 1 One Minto
- 2 Potts Hill
- 3 Thornton (North Penrith)



Developing major centres

- 4 Green Square Town Centre
- 5 Macarthur Regional Centre
- 6 Oran Park Town
- 7 The New Rouse Hill



Supplying housing

- 8 Bunya
- 9 Caddens
- 10 East Village (Spring Farm)
- 11 Edmondson Park
- 12 Elizabeth Hills
- 13 Garden Gates (Mount Annan)
- 14 Highcrest
- 15 Menangle Park
- 16 Renwick
- 17 Riverstone Scheduled Lands
- 18 Sanctuary
- 19 The Ponds

GOVERNANCE



2012 FINANCIAL AND ECONOMIC ACHIEVEMENTS

Total revenue	\$398.1 million
Net Profit after Tax	\$48.9 million
Returned to the state government (dividends and tax equivalent payments)	\$54.8 million
Dwelling equivalents delivered to the market	2,198
Jobs generated from our development activities	9,979
Economic output generated from our development activities	\$782.2 million

Highlights of this year's achievements

During the year we helped the government drive housing supply by continuing to deliver its 10,000 homesites program in western Sydney. We also continued the development of strategic sites, formed new partnerships and created opportunities to share our knowledge. What follows are some of the highlights of the year's achievements.

Increasing housing supply



In March 2011, the government set us the task of delivering 10,000 homesites in western Sydney over four years. We are doing this by accelerating our production schedule, acquiring strategic sites, and by mobilising the additional capital needed to fund these works. Our strategy is flexible and can evolve over time as circumstances demand.

During the year we met with western Sydney councils likely to be included in the program and established working arrangements with each of them. We will continue to work with them on actions designed to increase efficiency and reduce the administrative burden involved in development consents, which stands to benefit the wider development industry.

We also identified major lead-in works that are needed and worked with the relevant infrastructure agencies to help them improve turnaround times for approvals, both for Landcom and the rest of development industry.

This year we opened a display village at Bunya and new sales centres at Renwick, Woodlands and Spring Farm. We also commenced construction on several

major projects including Ingleburn, Potts Hill, Caddens, North Penrith and Elizabeth Hills. In the first year of the 10,000 homesites program we delivered 2,017 sites, which is slightly above our target. This is the highest rate of production we have achieved in western Sydney for 20 years. By the end of June, we had 10 projects in production, and were actively managing over \$140M in civil works. We expect to increase our production to 2,200 homesites in 2012-2013.



Delivering strategic sites

Landcom has a strong track record of getting results on difficult projects where government intervention is needed to kick-start work or de-risk opportunities for the private sector. We remove development barriers, secure cooperation across government, and then partner with the private sector to deliver the right outcomes for government and the people of NSW.

This year we made solid progress on a number of long-term strategic projects and commenced work on several new initiatives.

Green Square Town Centre

For work to commence on the Green Square Town Centre at Zetland, we first had to relocate the NSW Police facility that was on the site. In December, we completed and opened a new facility at Potts Hill – the largest of three facilities constructed or refurbished by Landcom – to accommodate almost 300 Police staff relocated from Zetland. We upgraded and purpose-built facilities for Police operations at our expense, in return for the transfer of the Zetland site.

Our ability to secure this site resolved one of the final constraints to development at Green Square and signalled the commencement of the delivery phase of this project.

Highlights of this year's achievements *continued*

In March, we signed a project agreement with our private sector partners, Mirvac Projects Pty Ltd and Leighton Properties Pty Ltd, to develop the 'core' town centre sites. These will be the catalyst for the development of the greater Green Square redevelopment area. The core sites will deliver around 1,600 homes, 12,000m² of retail space and almost 50,000m² of commercial space. Construction is due to commence by the end of 2012.

Oran Park Town Centre

The rapid production of housing this year at Oran Park was matched by our progress delivering one of the critical elements that will underpin the new community, the Oran Park Town Centre, a project we are delivering in conjunction with the Greenfields Development Company.

In March, the Premier and the Minister for Planning and Infrastructure unveiled concept plans and a 3D walk-through for the town centre. We then secured approval for stage one works. Stage one will be operating by 2014 and will include the first part of Main Street, a large supermarket, around 20 specialty shops, a medical centre, and a four storey commercial building.

We achieved another significant milestone for Oran Park in May, when Camden Council voted to relocate its headquarters to the new town centre. Council's decision confirms the pivotal role Oran Park will play in the future of southwest Sydney and the strong civic presence this creates will be the catalyst for others to come. We expect Council's administrative building to be ready for occupation in 2016. A town park and new library will also

be constructed to coincide with the opening.

When fully complete, the town centre will provide 50,000m² of retail space, 300 apartments and up to 5,000 jobs.

Edmondson Park Release Area

In August, we finalised our purchase of the Ingleburn Army Camp from the Commonwealth government. Landcom's control of this 300ha site will unlock the full potential of the Edmondson Park release area, and opens the way for the development of 3,600 new homes, a new town centre, schools and a regional park. It also overcomes one of the last major obstacles to the construction of the South West Rail Link.

Civil works for the first 280 homes at Edmondson Park commenced in January, with the first land sales scheduled to commence in November 2012.

North Penrith

In December, we commenced work at our North Penrith project on the edge of Penrith city centre. This project capitalises on the site's exceptional access to existing public transport, retail facilities and community infrastructure. We are delivering around 1,000 homes with a wide range of housing types including apartments, terraces and detached homes. A vibrant new station square is proposed, along with new retail and commercial space, and community facilities.

Construction of the first 200 homes is underway and the first homesites are expected to be available for sale from November 2012.

Newcastle CBD

In June, we finalised an agreement to work with the GPT Group in coordinating the redevelopment of four city blocks in the heart of the Newcastle CBD. This ground-breaking project has the potential to rejuvenate the city centre with a mix of residential, niche commercial and specialty retail uses, acting as the catalyst for further investment in the region.



Highlights of this year's achievements *continued*

Delivering quality places

During the year we continued delivering quality places – with both the physical assets that communities need to function well and sustainably, and the soft infrastructure that helps strengthen new communities.

Community assets

In November, we opened an \$8.5M sporting facility at The Ponds known as Jonas Bradley Oval. This sports facility comprises two high-quality playing fields, four multi-purpose courts, four netball courts, a children's playground and parking for 165 cars. We also completed and opened the Riverbank Drive bridge in December and followed this with the opening of the Greenview Parade bridge in May, the last of three bridges connecting this community.

In December, Cabinet approved the allocation of \$9M in State Infrastructure Contribution funding for Landcom to construct road works associated with The Camden Bypass intersection. Our efforts in unlocking this critical piece of infrastructure will alleviate existing pressures on the local road network and enables the removal of a longstanding

cap on development in the Elderslie/Spring Farm release areas. This paves the way for large scale private sector land supply development to proceed.

Community building

During the year we managed or sponsored a range of community building initiatives designed to bring new residents together and create the networks that help make communities sustainable. Highlights include:

- commencing our Bunya Community Development Program in March
- our third Family Fun Day at The Ponds in April, which drew over 2,000 local residents
- establishing two new sporting clubs at The Ponds
- finalising agreements to establish our eighth Walking School Bus.

Sharing our knowledge

During the year we continued to build our knowledge and expertise through our work. Wherever we can, we share our knowledge freely with others in order to build credibility within the development industry, and to drive and influence change.

Eco-Living village

Through our Eco-Living project, we have partnered with the private sector to design and construct three homes that uniquely showcase industry best practice in sustainable design, products and building. Our aims were to expose consumers to sustainable design and products, to influence supply chain practices in the contract home building industry and to effect change in the industry by demonstrating sustainability in a practical way.

Our work culminated in the opening of our Eco-Living display village in February. Built in partnership with Clarendon Homes, the village showcases three homes that people can walk through and experience first-hand:

- the 'Benchmark', a six-star home demonstrating how people can live sustainably at an affordable price
- the seven-star 'Greencycle' home, featuring building materials and products that have high recycled content capable of being recycled at the end of their life
- 'Net-Zero', an eight-star home, which is smaller and smarter and almost self-sufficient in energy, water and waste management. This home generates virtually no bills for energy or water use and is the flagship of the series.



Highlights of this year's achievements *continued*



National roll-out of PRECINX®

During the year we started sharing the benefits of PRECINX® across the country by licensing the tool, free of charge, to our government land organisation colleagues (GLOs) in other states. PRECINX® is our software tool that models the environmental, social and economic performance of whole precincts or neighbourhoods.

In November, we signed the first licence agreement with LandCorp in Western Australia. Following this, we licensed the tool to the Land Development Agency in the ACT, the Urban Renewal Authority in South Australia and the

Urban Land Development Authority in Queensland. These GLOs represent the majority of government land development nationwide and have a pipeline of development in the billions of dollars.

A role in setting the global sustainability standard

In September, the Global Reporting Initiative launched its Construction and Real Estate Sector Supplement (CRESS). Landcom was one of only two Australian organisations on an international working group convened to develop the supplement, which took two years to prepare. We were an active participant in the launch, which took place online via an interactive 'webinar', accessed by a global audience.



The move to UrbanGrowth NSW

In June, the government announced plans to integrate and refocus Landcom and the Sydney Metropolitan Development Authority (SMDA) and to create a new entity, UrbanGrowth NSW.

UrbanGrowth NSW is being established in response to the lowest housing starts in NSW in 50 years. It will be the key driver of housing development in NSW, with an initial focus of:

- further unlocking private sector investment by coordinating and delivering lead-in infrastructure and services in development areas, and by planning and fast tracking urban renewal projects
- driving the government's approach to housing delivery, including the current 10,000 homesites program
- leading development in identified projects across the state.

These activities acknowledge and build on Landcom's track record of delivering government objectives through targeted intervention in the property market and in providing development opportunities for the private sector, something that we've been doing for some years.

The new organisation is planned to be up and running in the 2012-2013 financial year.



INFRASTRUCTURE DELIVERY



NEW HOUSING DELIVERY

Awards 2011-2012



Our efforts continue to be recognised by our industry peers, and our projects were honoured with the following awards during 2011-2012.

Urban Development Institute of Australia (UDIA) NSW Awards for Excellence

The UDIA NSW Awards for Excellence highlight innovation, sustainability and industry leadership, and recognise excellence in urban development.

ORAN PARK TOWN

Winner – Marketing

MANTA BUILDING AT PRINCE HENRY AT LITTLE BAY

(submitted by Stockland)

Winner – Medium Density Housing

Lower Hunter Urban Design Awards

These awards are an initiative of the five Lower Hunter Councils of Newcastle, Lake Macquarie, Port Stephens, Maitland and Cessnock. They recognise urban design excellence in building, landscape and public open space.

VANTAGE

Winner – Landscaping

The HIA-Boral GreenSmart Awards

The HIA-Boral GreenSmart Awards showcase leadership in environmentally friendly innovations and designs. The resource efficiency award recognises outstanding achievement in waste avoidance and recovery in a housing project through innovative design and practices.

BENCHMARK HOME – Eco-Living display homes

(jointly submitted by Landcom and Clarendon Homes)

Winner – Greensmart Resource Efficiency

The HIA-CSR NSW Housing Awards

The HIA-CSR NSW Housing Awards recognise the state's talent of builders and building companies and showcases creativity, innovation and excellence in construction and design.

BENCHMARK HOME – Eco-Living display homes

(jointly submitted by Landcom and Clarendon Homes)

Winner – Special Purpose Housing

What we aim to achieve in 2012-2013

Landcom's transition to UrbanGrowth NSW will occur during 2012-2013. The new organisation will support the government's target of increasing housing production in Sydney to 25,000 per annum by driving development activity.



THE PONDS

We will do this by using our development expertise to assist the private sector deliver housing and by working across government to ensure that infrastructure and strategic development opportunities are unlocked. We will continue to seek private sector partners in those projects where we retain a development role.

Our core projects and initiatives will continue during 2012-2013, such as the 10,000 homesites program, and we will also:

- start driving development in NSW by creating direct opportunities for the private sector in our projects

- leverage our existing projects to facilitate infrastructure that unlocks development sites for the private sector
- identify priority precincts for development and prepare an action plan for delivery
- promote housing supply, affordability and diversity by encouraging industry take-up of our 21st Century Living program.

Corporate activities

Landcom charter and function

Landcom is a state-owned corporation, operating under the Landcom Corporation Act 2001.

PRINCIPAL OBJECTIVES

Our principal objectives are:

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

PRINCIPAL FUNCTIONS

Our principal functions are to:

- undertake and participate in residential, commercial, industrial and mixed development projects,
- provide advice and services related to urban development, on a commercial basis, to government agencies and others.

Board of Directors, meetings and committees

BOARD OF DIRECTORS

The Board is constituted under the Landcom Corporation Act 2001. It comprises six non-executive directors plus the Managing Director. The Directors are appointed by the Governor of New South Wales on the recommendation of the voting shareholders and after consultation with the Portfolio Minister.

During the reporting period, the Directors were:

Mr John Brogden | Chairman
(appointed 25/1/2012)

Ms Robyn Clubb | Deputy Chairman
(appointed 12/12/2011)

Mr Sean O'Toole | Managing Director

Ms Bonita Boezeman AO | Director

Mr Robert Hamilton | Director

Mr William Kirkby-Jones AM | Chairman
(retired 31/12/2011)

Mr Neil Bird AM | Deputy Chairman
(retired 31/12/2011)

The gender breakdown for the Board during 2011-2012 was as follows: for the six months to 31 December 2011, 33% women and 66% men; for the remainder of the year, 40% women and 60% men.

The role and responsibilities of Board members are set out in the Board's Corporate Governance Charter. The Corporate Governance Charter sets out the duties, independence and ethical standards required of individual Board members, including procedures for declaring conflicts of interest. The role and responsibilities of the Board's committees are set out in terms of reference for each of the committees.

BOARD MEETINGS

Unless otherwise agreed, the Board meets on the fourth Monday of each month. There were 10 meetings and seven special meetings held during the reporting period. The number of meetings attended by each Director was as follows:

Attendance

Director	Board meetings attended	Board meetings eligible to attend
Mr W Kirkby-Jones AM	7	9
Mr J Brogden	7	7
Mr N Bird AM	7	9
Mr S O'Toole	17	17
Ms R Clubb	15	17
Ms B Boezeman AO	17	17
Mr R Hamilton	14	16

COMMITTEE MEETINGS

The Board had five committees during the reporting period, the membership of which is reviewed on an annual basis. Membership of the committees during the reporting period was as follows:

Audit and Risk

Management Committee:

Ms Robyn Clubb | Chairman
Mr Neil Bird AM (retired 31/12/11)
Ms Bonita Boezeman AO

Marketing and Sales Committee:

Mr Neil Bird AM | Chairman
(retired 31/12/11)
Mr William Kirkby-Jones AM
(retired 31/12/11)
Ms Bonita Boezeman AO | Chairman
(appointed Chairman 28/2/12)
Mr Robert Hamilton
Mr Sean O'Toole

Information Technology Committee:*

Mr William Kirkby-Jones AM | Chairman
Mr Neil Bird AM
Mr Sean O'Toole

** (this committee was discontinued effective 15/12/11)*

Remuneration Committee:

All Directors

Nominations Committee:

All Directors

Measuring performance

We consider ourselves successful if we:

- have an important role in delivering strategic metropolitan projects on behalf of government
- are financially sustainable with robust financial ratios
- demonstrate industry leadership in economic, environmental and social sustainability
- enjoy mutually beneficial relationships with our stakeholders
- are recognised as an employer of choice.

The performance of the Board, Chairman, Managing Director, senior management and all staff is reviewed on a regular basis.

The Board engages in an annual independent review of its performance in various formats. This review seeks feedback from Directors, senior management and key stakeholders on individual performance. The last review was conducted in late 2011 by Trudeau & Associates in the form of an in-house evaluation of Directors' views on their own performance; the performance of their peers; the performance of the Chairman; and the performance of the Managing Director.

A separate performance management system is in place for Landcom employees (see Implementing our values on page 23). This system provides for twice yearly review of individual performance.

Risk management and insurance

RISK MANAGEMENT

Landcom is committed to good corporate governance and adopts a methodical approach to the process and practice of risk management. Our risk framework is compliant with the Australian/New Zealand Risk Management Standard AS/NZS ISO 31000:2009 and embodies the business principles approach to corporate objectives.

To ensure our risk management process works effectively and creates value, we have:

- obtained commitment to risk management from the Board, Managing Director, executive and all staff
- enhanced the integration of risk management processes with our organisational processes (i.e. 'The Landcom Way')
- assigned risk management responsibilities within the organisation
- refined our risk framework and improved guidelines on risk tolerance and reporting accountability
- allocated appropriate resources to the training and development of all stakeholders in enhanced risk awareness and continual improvement.

Landcom's risk management and performance review processes aim to minimise the consequences of events that could adversely affect our reputation and our ability to achieve our targets. Our risk management framework includes:

- regular Board review of the inherent, business and major operational risks to the organisation
- an internal audit program supported by reviews undertaken by independent certifiers
- regular reviews of the financial capacity of our partners.

The Audit and Risk Management Committee is made up of non-executive directors and is attended by staff representatives as well as independent experts and observers. The Committee

regularly considers a range of risk matters arising from internal and external audits as well as independent assessments of performance against Landcom's environmental management system.

BUSINESS CONTINUITY

Landcom has a business continuity plan in place which is designed to minimise adverse impacts on our staff, stakeholders and business operations in the event of a major incident or disaster.

Testing of the plan occurs periodically and focuses on rehearsing disaster recovery plans. This includes workplace recovery, response to pandemic illness and any impacts on critical business functions such as communications, land titles data, property conveyance and sales processing and payables and receivables processing.

INSURANCE

Landcom's insurance cover is provided by the NSW Treasury Managed Fund. This fund is based on the principles of self-insurance and as such places high priority on the implementation of sound risk management practice. The self-insurance scheme is administered by GIO General for risks relating to motor vehicle, property, public liability and directors/officers liability. Workers Compensation Insurance is administered by Allianz Australia under the Treasury Managed Fund.

Landcom completed its 2012-2013 Renewal Declarations for the Treasury Managed Fund in November 2011 and renewed all covers for the 2012-2013 policy period.

Corporate activities *continued*

Public access to information and the protection of privacy

GOVERNMENT INFORMATION (PUBLIC ACCESS) (GIPA) FORMAL ACCESS APPLICATIONS

During the reporting period, Landcom received six formal access applications under the Government Information (Public Access) Act 2009 (GIPA). Landcom agreed to the full release

of information in relation to two applications, to the partial release of information in relation to three applications and did not hold any information in relation to part of one application. Landcom received one application for information for which there was a conclusive presumption

of overriding public interest against disclosure and access was refused in full.

The following tables contain statistical information about the formal access applications we received in 2011-2012.

TABLE A | Number of applications by type of applicant and outcome*

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

*More than one decision can be made in respect of a particular access application. If so, a recording must be made in relation to each such decision. This also applies to Table B.

TABLE B | Number of applications by type of application and outcome

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Personal information applications	0	0	0	0	0	0	0	0
Access applications (other than personal information applications)	2	3	1	1	0	0	0	0
Access applications that are partly personal information applications and partly other	0	0	0	0	0	0	0	0

TABLE C | Invalid applications

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

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

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

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

TABLE E | Other public interest considerations against disclosure: matters listed in table to section 14 of the Act

	Number of occasions when application not successful
Responsible and effective government	1
Law enforcement and security	0
Individual rights, judicial processes and natural justice	0
Business interests of agencies and other persons	3
Environment, culture, economy and general matters	1
Secrecy provisions	0
Exempt documents under interstate Freedom of Information legislation	0

Corporate activities *continued*

TABLE F | Timeliness

	Number of applications
Decided within the statutory timeframe (20 days plus any extensions)	5
Decided after 35 days (by agreement with applicant)	1
Not decided within time (deemed refusal)	0
Total	6

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

	Decision varied	Decision upheld	Total
Internal review	1	1	2
Review by Information Commissioner	0	0	0
Internal review following recommendation under section 93 of Act	0	0	0
Review by ADT	0	0	0
Total	1	1	2

TABLE H | Applications for review under Part 5 of the Act (by type of applicant)

	Number of applications for review
Applications by access applicants	1
Applications by persons to whom information the subject of access application relates (see section 54 of the Act)	1

AUTHORISED PROACTIVE RELEASE OF INFORMATION UNDER S.7 (3) OF GIPA ACT 2009

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

Landcom's program for the proactive release of information involves constantly updating Landcom's own and its projects' websites, to provide information regarding Landcom's policies, projects and initiatives. We also consider categories of information repeatedly asked for and the impact, if any, of proactively releasing this information.

During the reporting period, we reviewed this program by:

- considering the six formal access applications received by Landcom

- considering informal applications received by Landcom
- determining that there were no particular categories of information that were being regularly or repeatedly requested in these formal and informal applications
- consulting with Landcom staff about information and categories of information that are frequently asked for. This consultation occurred through attendance at team meetings and conducting GIPA briefings and updates, and
- discussing with Right to Information Officers of other state owned corporations the categories of information that they proactively release.

One result of this review was that Landcom proactively released the following information:

- After a trial period on one project, information regarding the registration process and anticipated dates for registration milestones is being released in relation to other Landcom projects.

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

Recent examples include:

- the roll-out of PRECINX®, our sustainability modelling tool, which we offered free of charge this year to government land owning organisations in other states
- our formal program of business process improvement, which includes ongoing review of our internal and external business process and sharing this with our suppliers, consultants and partners, and
- our series of 'Landcom Guidelines' (currently being expanded) which include advice on how great places are made. These are distributed free of charge and are available on our website.

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

PRIVACY

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

Our privacy management plan is based on 12 information protection principles of the Privacy and Personal

Information Protection Act (PPIP), which establish standards for using personal information. These are:

PRINCIPLE 1 (S.8 PPIP Act)

Collection of personal information for lawful purposes

PRINCIPLE 2 (S.9 PPIP Act)

Collection of personal information directly from the individual

PRINCIPLE 3 (S.10 PPIP Act)

Requirements when collecting personal information

PRINCIPLE 4 (S.11 PPIP Act)

Other requirements relating to collection of personal information

PRINCIPLE 5 (S.12 PPIP Act)

Retention and security of personal information

PRINCIPLE 6 (S.13 PPIP Act)

Information about personal information held by agencies

PRINCIPLE 7 (S.14 PPIP Act)

Access to personal information held by agencies

PRINCIPLE 8 (S.15 PPIP Act)

Alteration of personal information

PRINCIPLE 9 (S.16 PPIP Act)

Agency must check accuracy of personal information before use

PRINCIPLE 10 (S.17 PPIP Act)

Limits on use of personal information

PRINCIPLE 11 (S.18 PPIP Act)

Limits on disclosure of personal information

PRINCIPLE 12 (S.19 PPIP Act)

Special restrictions on disclosure of personal information.

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

Landcom's Right to Information Officer and Privacy Coordinator can be contacted by writing to:

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

or by emailing:

**righttoinfo@landcom.nsw.gov.au or
enquiry@landcom.nsw.gov.au**

PUBLIC INTEREST DISCLOSURES ACT 1994

The following table contains information about Landcom's obligations under Section 31 of the Public Interest Disclosures Act, for that part of the reporting year from 1 January 2012 (the commencement of Section 31) to 30 June 2012.

Section 31 Report	
Number of public officials making a public interest disclosure to Landcom	0
Number of public interest disclosures received by Landcom relating to:	
Corrupt conduct	0
Maladministration	0
Serious and substantial waste of public money	0
Government information contraventions	0
Local government pecuniary interest contraventions	0
Total	0
Public interest disclosures finalised by Landcom	0
Whether Landcom has a public interest disclosures policy in place	Yes
Action taken by Landcom to ensure that its staff awareness responsibilities under s 6E(1)(b) of the Act have been met	Staff briefings, publications on Landcom intranet, individual Business Unit training

Corporate activities *continued*

Work health and safety

Landcom's commitment to providing a safe and healthy work environment for employees, clients and stakeholders is highlighted by our commitment to continuous improvement in work health and safety. This is achieved through effective planning, consultation, implementation of programs, training, monitoring and review.

We undertake frequent improvements to our work, health and safety framework, meeting targets outlined by the NSW Government's 'Taking Safety Seriously' and 'Working Together' strategies. 'Working Together 2010-2012' initiatives have now been adopted.

Centralised accountability for the system is taken by the General Manager, Finance & IT with underpinning processes managed by the Senior Manager, Financial Systems & Risk. Landcom operates a work health and safety consultation committee with staff volunteers and nominated management representatives in accordance with our work health and safety policy which is reviewed as required. The committee meets quarterly to review previously raised issues, new issues and any near-miss incidents brought to its notice.

The work health and safety system and processes have enabled:

- a forum for employees and management to openly discuss concerns
- a regime of prevention, inspection, identification and reduction of hazards
- a philosophy of continuous improvement
- hazard identification inspections at all employee locations using defined checklists
- maintenance of an actions database to monitor the status of hazard elimination or mitigation.

Landcom is committed to providing a safe and healthy work environment. No lost time workplace or journey incident occurred during the reporting period.

Multicultural policies and services program 2011–2012

ETHNIC AFFAIRS PRIORITIES STATEMENT

The NSW Government recognises and values the different linguistic, religious, racial and ethnic backgrounds of all the people in the state and requires agencies, including Landcom, to prepare ethnic affairs priorities statements to manage multiculturalism.

Landcom's ethnic affairs priorities are delivered through extensive community consultation before and during the development and marketing/sales phases of projects. We communicate with the community through our Community Welcome and Development programs and through stakeholder consultation programs. Our Welcome Program provides services and 'welcome' visits to the homes of customers who move into Landcom developments. Welcome kits are provided to new residents as part of this program and include information about local culturally and linguistically diverse (CALD) organisations, services for CALD residents and information on how to access free interpreter services.

Over the past year, Landcom's Welcome Program facilitators made contact with over 1,000 households in nine new housing developments. The Ponds, One Minto and Bunya are the Landcom projects with the highest proportion of CALD residents (e.g. in The Ponds, over 40% of the population were born overseas). Specific initiatives were implemented in these projects to assist community members and to bring different community groups together. These initiatives included culturally themed welcome events, Harmony Day events and culturally appropriate catering.

Harmony Day events were held in March 2012 as part of Landcom's Welcome Program in Blacktown and Campbelltown. These were a celebration of each community's diversity and multiculturalism. Thirty-eight percent of Blacktown residents and 28% of Campbelltown residents were born overseas (ABS 2011).

During the year we also continued our Walking School Bus program, with eight schools now participating in northwest Sydney. This program delivers a number of positive health and environmental outcomes, with regular participation from over 250 students. It is estimated that up to 50% of participants come from CALD backgrounds.

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

Landcom also has a stakeholder consultation workbook which provides guidelines to project teams planning community engagement activities. The workbook includes information on engaging members of ethnic minority groups, including the provision of interpreters and written translation services.

All promotional materials for Landcom residential developments include information about the availability of interpreter and translation services. Posters detailing The Department of Immigration and Multicultural Affairs' translating and interpreting services are also on display in all Landcom sales offices. Where appropriate, marketing campaigns for individual projects target specific CALD groups identified through market research as potential purchasers.

In its recruitment processes, Landcom selects staff on merit and is an advocate for the principles of cultural diversity. In addition, staff training incorporates cross-cultural components.

Over the next two years, we will continue to implement and review our performance against our ethnic affairs priorities statement.

Corporate activities *continued*

Ethnic affairs initiative	Key result area	Strategies/tasks	Responsibility	Resources /budget	Performance indicators	Report 2011-2012	Goals for 2012-2013
Develop and implement stakeholder consultation plans	Social Justice [1.9 Planning for Cultural Diversity]	Provide at least one consultation opportunity at project planning stage, via a Welcome Program or community development activities	General Manager Corporate Marketing	Division budget	100% of projects	100% of current projects implemented community consultation activities	100% of current projects to report on implemented community consultation activities
Improve information about interpretive and translation services in all relevant Landcom marketing and sales material	Social Justice [1.7 Access to Interpreters and Translators]	Review current marketing and sales material for appropriate information	General Manager Corporate Marketing	Marketing budget	Review complete (timeliness)	Translating and interpreting services established in all offices. Interpreters used for specific community meetings	Provide references to translation and interpreting services in marketing and community information
Use census data to identify languages spoken by emerging communities in Landcom estates	Social Justice [1.7 Access to Interpreters and Translators]	Arrange for access to interpretive and translation services. Provide Welcome Program information in key community languages	Director, Sustainability and Policy and General Manager Corporate Marketing	Project budgets	Review complete (timeliness)	Census and Landcom survey data reviewed for all Landcom projects where there was an active Welcome Program to identify major CALD communities	Initiate a minimum of one community development project or event in each Welcome Program that addresses the needs and interests of identified CALD groups
CALD community based organisations actively encouraged to tender for the delivery of Landcom's Welcome Program in new estates	Social Justice [1.9 Planning for Cultural Diversity]	Facilitate information sessions prior to the expressions of interest process (EOI), outlining the role and benefit of Landcom's Welcome Program	Director, Sustainability and Policy	Project budgets	Number of CALD community based organisations submitting EOIs for the delivery of new Welcome Programs	A CALD community based organisation (Macarthur Diversity Services Inc) is currently delivering Landcom's Welcome Program at Mt Annan and Minto	Encourage CALD community based organisations to tender for delivery of Landcom's Welcome Programs in projects with anticipated high percentage of CALD residents
Identify strategies to increase participation by CALD young people in Landcom's Welcome Program through market research	Social Justice [1.9 Planning for Cultural Diversity]	Undertake consultation with young people in established Landcom communities	Director, Sustainability and Policy and General Manager Corporate Marketing	Marketing and/or project budgets	Research project completed (timeliness)	Harmony Day and cultural activities delivered in Landcom projects with high percentage of CALD families and young people (Minto, The Ponds and Bunya)	Plan and deliver specific initiatives for CALD families and young people in Welcome and community development programs
Develop strategic partnerships with CALD community based organisations for delivery of community development initiatives in Landcom estates	Community Harmony [2.1 Community Development]	Invite CALD organisations to submit proposals for community development initiatives in Landcom estates	Director, Sustainability and Policy	Division budget	Partnership established	Macarthur Diversity Services Inc and Catholic Care Social Services delivered a range of community development initiatives (playgroups, environmental education etc) in Landcom's Garden Gates Minto and Bunya projects	Continue to develop partnerships that enable community development programs to better address the needs of CALD residents in Landcom communities

Corporate activities *continued*

Equal employment opportunity (EEO) performance

Landcom is an equal opportunity employer and has an EEO policy in place. Our code of conduct also stipulates our commitment to EEO.

EQUAL EMPLOYMENT OPPORTUNITY 2011-2012

In accordance with our EEO plan for 2011-2012, we undertook the following initiatives:

- All new employees received a formal induction to the organisation. The induction program covers Landcom's workplace practices and includes policies on OH&S, fair treatment at work, a bullying and harassment-free workplace, grievance procedures and flexible work arrangements.
- An induction website was implemented which supplements the face to face induction process. The website extensively covers Landcom's employment conditions, workplace practices and associated policies.
- An update of organisational policies on fair treatment, grievance procedures, and harassment and bullying-free workplace was conducted.
- We provided manager training in leadership skills, including performance development and effective communication skills.
- We implemented a competency framework designed to openly communicate the standards, behaviours, skills and abilities required within each Development role. The framework provides a career ladder for staff, supporting current and future career aspirations.

- Professional development opportunities were offered for all staff through the preparation of career and development plans as part of Landcom's performance development review process.
- Ongoing coaching/mentoring was made available through Landcom's training and development program, which provides a structure for the growth and development of employees.
- We employed an Indigenous cadet as part of our Indigenous Cadetship Program.
- We provided training, where necessary, on merit recruitment principles.
- Training in EEO principles was provided for new employees.

PLANNED OUTCOMES FOR 2012-2013

The following EEO outcomes are planned for 2012-2013:

- We will update our performance development process to include a competency framework which sets out expectations of performance, skills and behaviours required for each of the development roles.
- We will continue to provide access for women to leadership, management and professional development programs.
- We will seek to employ an Indigenous cadet as part of Landcom's Indigenous Cadetship Program.
- We will identify a suitable employment opportunity for a person

with a disability requiring a work-related adjustment.

ADDRESSING DISCRIMINATION IN THE WORKPLACE

Landcom has adopted the following measures to minimise the incidence of discrimination in the workplace:

- the implementation of an induction website which covers Landcom's employment conditions, workplace practices, and our policies on fair treatment, grievance procedures and harassment and bullying-free workplace
- updated policies on fair treatment, grievance procedures and harassment and bullying-free workplace
- manager training in leadership skills, including performance development and effective communication skills, and
- revised performance management practices across the organisation, including the definition and communication of Landcom's expected standards of behaviour.

There were no incidents of discrimination reported during 2011-2012.

NSW GOVERNMENT ACTION PLAN FOR WOMEN

Landcom met the objectives of NSW Government's Action Plan for Women by:

- promoting the development of career plans for all women through the performance development system (including access to professional development programs)
- ensuring participation by women in Landcom's leadership and management development programs
- implementing an annual training and development program which includes coaching and mentoring, and
- providing access to flexible working arrangements, including part-time employment and working from home.

EQUAL EMPLOYMENT OPPORTUNITY PERFORMANCE TABLE

EEO group	Benchmark or target	2012	2011	2010	2009	2008	2007
Women	50%	44.7%	44.8%	41.6%	41.9%	41.4%	41.4%
Aboriginal and Torres Strait Islanders	2.6%	0.0%	1.5%	0.7%	0.0%	0.0%	0.0%
People whose first language is not English	19%	22.7%	23.9%	24.8%	28.7%	28.6%	28.4%
People with a disability	N/A	2.3%	0.7%	0.7%	0.7%	0.7%	0.7%
People with a work disability requiring work-related adjustment	1.3% (2012) 1.5% (2013) 1.5% (2014)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

WRAPP performance

The NSW Waste Reduction and Purchasing Policy (WRAPP) now forms part of the 2008 NSW Government Sustainability Policy. This sets out targets for sustainable resource use, disposal and procurement across energy, greenhouse gas emissions reduction, water, fleet, and waste. State-owned corporations with less than 200 (full-time equivalent) employees are required to report every three years on their WRAPP progress. Landcom collects this data annually as part of our sustainability performance system.

Our guarantee of service

CODE OF CONDUCT

Landcom places the utmost importance on integrity, probity and the promotion of a positive and responsive attitude among staff. Our Code of Conduct has been prepared to provide support and guidance on these values and has the full support of the Board and Executive.

The Code outlines the ethics framework for the way in which we conduct our business. It reinforces employee obligations and the government's broader codes of practice apply to all staff and Directors. New employees are required to sign an acknowledgement form which accompanies the Code to confirm that they understand Landcom's ethics standards. Additionally, existing employees are asked to reaffirm their understanding of the Code of Conduct from time to time.

IMPLEMENTING OUR VALUES

Our core values involve the pursuit of excellence in problem solving, relationship building and sustainability. All new employees go through a formal induction process where they are briefed on our Code of Conduct, our values, the way we operate, major projects and initiatives as well as our strategic direction.

We implement Landcom's mission and values through our performance management system. This system provides for twice yearly review of individual performance against the Landcom values and any deliverables relevant to their work. The performance of all Landcom employees is assessed under this system and an independent system is in place to review Board performance.

COMPLAINTS AND COMPLIMENTS SYSTEM

Landcom welcomes feedback from all stakeholders and has instituted a complaints and compliments handling system.

We have a policy and procedures in place to provide guidance to staff on their responsibilities if they receive a compliment or if a complaint is made relative to Landcom's products, services and conduct. We also provide advice to our customers and stakeholders on how to submit a compliment or complaint and the procedures we follow if they choose to submit one. Landcom's Executive reviews complaints to determine if there is cause to implement corrective or preventative action. The majority of complaints are dealt with within seven days.

This year, there was a 48% decrease in the number of complaints received in comparison to the previous reporting period (see table below).

During 2011-2012, Landcom received 20 formal compliments relating to our customer service and our management of community events.

PROCEDURES FOR SHAREHOLDER AND EMPLOYEE CONSULTATION AND FEEDBACK

Landcom has procedures for its portfolio and shareholder ministers to provide recommendations, feedback or direction to the Board and Landcom Executive. The Portfolio Minister provides a statement of priorities for the Board on an annual basis and the Board considers this in the preparation of the corporate plan. Senior Landcom staff meet with the Portfolio Minister regularly to discuss progress against corporate objectives and shareholder ministers are also invited to discuss corporate performance.

In addition, all interested Landcom staff are invited to participate in and contribute to the corporate planning process on an annual basis. The General Manager of every Landcom division also holds more regular meetings to discuss significant issues with their staff. Significant issues are reported to the Managing Director monthly by each General Manager. Any matters arising from this process that may require the Board's attention are reported by the Managing Director in a monthly update report, which is a standing item on every Board meeting agenda.

Category of complaint	Number of complaints 2010-2011	Number of complaints 2011-2012
Design	5	4
Environment	6	1
Marketing/Sales	5	2
Miscellaneous	11 (4 construction and 7 other)	7 (4 construction and 3 other)
Total	27	14

Corporate activities *continued*

Executive positions

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

Total remuneration for senior executives is calculated as the sum of the cost of employment, including contributions to a superannuation scheme by Landcom and novated lease payments for a motor

vehicle, where such an option has been exercised. The payment of an 'at risk' component is determined based on the performance of both Landcom and the individual senior executive.

The Managing Director's performance is reviewed on a six-monthly basis by the Chairman, who reports the outcome

of such reviews to the Remuneration Committee. The Managing Director reviews the performance of each of the General Managers on a six-monthly basis, and the findings from the annual review are reported to the Remuneration Committee.

Executive	Position	Remuneration paid 2011-2012	At risk paid 2011-2012	Total	Key achievements
Sean O'Toole	Managing Director	\$432,408	\$46,500	\$478,908	- Achieved key financial and project targets. - Achieved first year targets for the Government's 10,000 homesites program. - Put in place a contingency program for the Government's 10,000 homesites program's outer years. - Established working groups to review and refine infrastructure and approvals processes to benefit the wider development industry. - Identified opportunities to encourage smaller developers in developments at Potts Hills, North Penrith and Ingleburn. - Progressed the planning approvals required for Green Square. - Commenced work on the North Penrith and Ingleburn former Defence Lands. - Submitted development applications for the UWS Campbelltown development. - Identified regional locations that are experiencing housing stress where Landcom could potentially undertake a development role. - Launched and promoted Landcom's Housing Diversity & Density Guides. - Entered into a partnering arrangement with a community housing provider to undertake a project, with a view to establishing a role as the lead developer for community housing entities. - Made PRECINX® available to other government land organisations.
Greg South	Chief Operating Officer	\$309,776	\$29,387	\$339,163	- Achieved key financial targets. - Delivered key project milestones. - Entered into the Claymore PDA with Housing NSW. - Finalised the purchase of the Ingleburn Army Camp site from the Commonwealth. - Identified a contingency plan to support the 10,000 homesites program. - Identified regional locations that are experiencing housing stress and prepared a strategy for Landcom to potentially undertake a development role in these areas. - Entered into a partnering arrangement with a community housing provider.
Mick Owens	General Manager Development	\$267,002	\$28,713	\$295,715	- Achieved key financial targets. - Achieved 10,000 homesites target. - Delivered key project milestones. - Facilitated the removal of 'roadblocks' to greenfield development. - Lodged the first development application for residential lots at UWS Campbelltown. - Achieved opening of the first school and development consent for first stage of the town centre at Oran Park.
Kerry Robinson	General Manager Development	\$259,603	\$25,161	\$284,764	- Achieved key financial targets. - Achieved 10,000 homesites target. - Delivered key project milestones. - Completed the Eco-Living display homes at The Ponds.

Executive	Position	Remuneration paid 2011-2012	At risk paid 2011-2012	Total	Key achievements
Michael Burt	General Manager Development	\$247,218 (includes unpaid leave paid on termination)	\$43,043 (includes at risk component for 2011-2012)	\$290,261	- Achieved key financial targets. - Contributed to 10,000 homesites target. - Delivered key project milestones. - Commenced construction at Ingleburn.
Stuart McCowan	General Manager Development	\$257,114	\$27,096	\$284,210	- Achieved key financial targets. - Achieved 10,000 homesites target. - Delivered key project milestones. - Achieved the relocation of NSW Police Force and execution of Project Agreement and Performance Undertaking with development partners at Green Square.
Robert Sullivan	General Manager Corporate Marketing	\$246,731	\$26,533	\$273,264	- Directed and overviewed project marketing campaigns to assist in achieving key financial targets. - Delivered key project milestones.
Michael Brodie	General Manager Finance and IT	\$246,294	\$16,007	\$262,301	- Assisted with the delivery of key financial targets. - Finalised arrangements for Landcom's new head office accommodation. - Managed the outsourcing of IT hardware systems.

EXECUTIVES WITH REMUNERATION EQUAL TO OR EXCEEDING SES LEVEL 1

During the year, there were 15 executives with remuneration equal to or exceeding the equivalent of SES level 1 (excluding SES level 5 or above) of which three were women. At the end of the current reporting period, there were

14 executives with remuneration equal to or exceeding the equivalent of SES level 1 (excluding SES level 5 or above) of which three were women.

By comparison, at the end of the 2010-2011 reporting period, there were 16

executives with remuneration equal to or exceeding the equivalent of SES level 1 (excluding SES level 5 or above). There were seven executives with remuneration at or above SES level 5. Out of this total, three were women.

Total staff (exclusive of SES level 1 or above) by pay level

Level	Total staff	Men	Women	Aboriginals and Torres Strait Islanders ¹	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 to work
44,558 – 51,801	1	0	1 temporary	0	1	1	0	0
55,691 – 60,506	8	2 temporary	6 (2 temporary)	0	2	2	1	0
63,538 – 69,530	8	2	6 (2 temporary)	0	0	1	0	0
73,547 – 81,162	12	7 (1 temporary)	5 (1 temporary)	0	5	6	0	0
87,940 – 97,045	28	9 (4 temporary)	19 (2 part-time, 7 temporary)	0	5	5	0	0
102,968 – 111,441	20	12 (2 temporary)	8 (1 part-time)	0	11	8	1	0
117,134 – 128,866	43	33 (1 part-time, 4 temporary)	10 (1 part-time, 1 temporary)	0	11	10	1	0
139,847 – 152,931	7	3	4	0	2	2	0	0
Total	127	68	59	0	37	35	3	0

¹ Two aboriginal cadets were employed until December 2011.

Corporate activities *continued*

Miscellaneous activities

PROMOTION

During the reporting period, Landcom produced a number of publications that were designed to promote the release of land, with each land release being supported by a sales plan, price list and an advertising campaign.

In addition, information concerning our corporate activities was communicated to Landcom stakeholders through the Annual and Sustainability Report 2010-2011 and via Landcom's website at www.landcom.com.au

PRODUCTION COST OF ANNUAL REPORT

The overall cost of producing and printing the 2011-2012 Annual Report is estimated at \$18,000.

CONSULTANCIES

We spent a total of \$57,707 during the reporting period on consultants. These engagements were for developing policy and procedures documentation, and Landcom's strategic planning and business improvement program.

OVERSEAS VISITS

During the 2011-2012 year there was one overseas trip undertaken.

Landcom's Director, Sustainability and Policy presented a paper and participated as a panellist at the United States Green Building Council's annual conference, showcasing Landcom's sustainability leadership at a major international conference attended by 10,000 delegates.

Landcom's invitation resulted from the Director, Sustainability and Policy's involvement in the Global Reporting Initiative's real estate and construction sector supplement working group. The working group developed a sustainability reporting framework specifically for the construction and real estate sector internationally. This sector supplement was launched at the US Green Building Council conference.

Disclosure of approved exemptions

Following Landcom's corporatisation on 1 January 2002, approval was granted for the reporting exemptions (relevant to this Annual Report, shown in the table overleaf). The list of exemptions, some with conditions attached, was approved by NSW Treasury to overcome concerns about the loss of commercial confidentiality for statutory state-owned corporations.

Statutory requirements	Act/Regulation references	Comments
Annual reporting exemptions		
Budgets: - Detailed budget for the year in review - Outline budget for next year - Particulars of material adjustments to detailed budget for the year in review	s.7(1) (a) (iii) Annual Reports (Statutory Bodies) Act 1984 s.7(1) (a) (iii) Annual Reports (Statutory Bodies) Act 1984 cl. 7 Annual Reports (Statutory Bodies) Regulation 2010	
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	Schedule 1 Annual Reports (Statutory Bodies) Regulation 2010	Exemption subject to a condition that comments and information relating to the 'summary review of operations' are to be disclosed in a summarised form.
Management and activities: - 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 - Research and development - Completed research including resources allocated - Continuing research and development activities, including resources allocated unless that information could adversely affect operations	Schedule 1 Annual Reports (Statutory Bodies) Regulation 2010	Exemption subject to a condition that comments and information relating to 'management and activities' are to be disclosed in a summarised form.
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 Annual Reports (Statutory Bodies) Regulation 2010	Exemption subject to a condition that the total amount spent on consultants is to be disclosed along with a summary of the main purposes of the engagements.

Report of operations		
Consultants: - For each engagement costing more than \$50,000: - name of consultant - title of project - actual cost - For each engagement costing less than \$50,000: - total number of engagements - total cost - If applicable, a statement that no consultants were engaged	Schedule 1 Annual Reports (Statutory Bodies) Regulation 2010	Exemption subject to a condition that the total amount spent on consultants is to be disclosed along with a summary of the main purposes of the engagements.

Corporate activities *continued*

Report of operations		
Land disposal: - Properties disposed of during the year: - total number - total value - If value greater than \$5 million 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 - Statement giving reasons for the disposal - Purpose/s for which proceeds were used - Statement indicating that access to the documents relating to the disposal can be obtained under the Freedom of Information Act	Schedule 1 Annual Reports (Statutory Bodies) Regulation 2010	
Consumer responses: - Extent and main features of complaints - Services improved/changed in response to complaints/suggestions	Schedule 1 Annual Reports (Statutory Bodies) Regulation 2010	Exemption subject to a condition that comments and information relating to 'consumer responses' are to be disclosed in a summarised form.
Payment of accounts: Performance in paying accounts, including action to improve payment performance	Schedule 1 Annual Reports (Statutory Bodies) Regulation 2010	This exemption only applies to statutory state-owned corporations as they are not subject to the payment of accounts provisions in s.15 of the Public Finance and Audit Regulation.
Time for payment of accounts - Reasons for late payment - Interest paid due to late payments	Schedule 1 Annual Reports (Statutory Bodies) Regulation 2010	As above.
Report on risk management and insurance activities	Schedule 1 Annual Reports (Statutory Bodies) Regulation 2010	Exemption subject to a condition that the comments and information are to be disclosed in a summarised form.

Report of operations		
Disclosure of controlled entities Details of names, objectives, operations, activities of controlled entities and measures of performance	Schedule 1 Annual Reports (Statutory Bodies) Regulation 2010	Exemption subject to a condition that the names of the controlled entities be disclosed along with a summary of the controlled entities' objectives, operations, activities and measures of performance.
Investment performance	Schedule 1 Annual Reports (Statutory Bodies) Regulation 2010	
Liability management performance	Schedule 1 Annual Reports (Statutory Bodies) Regulation 2010	



financial statements



INDEPENDENT AUDITOR'S REPORT

Landcom

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of Landcom (the Corporation), which comprise the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Corporation as at 30 June 2012, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

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

Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

My opinion does *not* provide assurance:

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

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and relevant ethical pronouncements. The PF&A Act further promotes independence by:

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



Aaron Green
Director, Financial Audit Services

28 August 2012
SYDNEY



LANDCOM

DIRECTORS' DECLARATION

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

- (a) The financial statements:
 - (i) exhibit a true and fair view of the financial position of Landcom as at 30 June 2012 and of its performance, as represented by the results of its operations and its cash flows for the year ended on that date;
 - (ii) comply with Australian Accounting Standards, AASB Interpretations, the *State Owned Corporations Act 1989*, the *Public Finance and Audit Act 1983* and the *Public Finance and Audit Regulation 2010*.
- (b) We are not aware of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.
- (c) At the date of this statement, there are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they fall due.

Signed in accordance with a resolution of the Directors:



JOHN BROGDEN
Chairman



SEAN O'TOOLE
Managing Director

Financial statements

Statement of comprehensive income

FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012 \$'000	2011 \$'000
Continuing Operations			
Sales revenue	2(a)	398,086	402,851
Cost of sales		(271,984)	(264,983)
Gross Profit		126,102	137,868
Other revenue	2(b)	3,839	7,968
Finance income	2(c)	2,725	4,480
Marketing expenses	3	(7,086)	(6,575)
Employee related expenses	4	(16,938)	(16,582)
Other operating expenses	5	(27,305)	(39,358)
Depreciation and amortisation expense	6	(537)	(514)
Finance costs	7	(10,985)	(9,933)
Profit/(loss) on sale of property, plant and equipment		8	(7)
Profit from continuing operations before income tax equivalent expense		69,823	77,347
Income tax equivalent expense	8	(20,960)	(23,024)
Net profit for the year		48,863	54,323
Other comprehensive income			
Superannuation actuarial gain/(losses) on defined benefit plans	19	(9,531)	63
Income tax relating to components of other comprehensive income		2,859	(19)
Other comprehensive income for the year (net of tax)		(6,672)	44
Total comprehensive income for the year		42,191	54,367

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

Financial statements *continued*

Statement of financial position

AS AT 30 JUNE 2012

	Notes	2012 \$'000	2011 \$'000
Assets			
<i>Current Assets</i>			
Cash and cash equivalents	9	16,734	75,484
Trade and other receivables	10	16,704	45,659
Inventories	11	289,347	217,832
Derivative asset	24	-	27
Other current assets	12	5,860	241
Total Current Assets		328,645	339,243
<i>Non-Current Assets</i>			
Trade and other receivables	10	14,043	19,537
Inventories	11	412,974	374,217
Property, plant and equipment	13	5,060	3,249
Intangible assets	14	659	109
Deferred tax assets	15	40,387	33,334
Total Non-Current Assets		473,123	430,446
TOTAL ASSETS		801,768	769,689
Liabilities			
<i>Current Liabilities</i>			
Trade and other payables	16	136,990	95,218
Borrowings	20	29,589	59,992
Current tax liabilities	17	35,526	40,693
Provisions	18	140,467	126,132
Total Current Liabilities		342,572	322,035
<i>Non-Current Liabilities</i>			
Trade and other payables	16	10,453	16,707
Borrowings	20	59,697	59,593
Provisions	18	35,843	27,892
Deferred tax liabilities	21	2,213	827
Total Non-Current Liabilities		108,206	105,019
TOTAL LIABILITIES		450,778	427,054
NET ASSETS		350,990	342,635
Equity			
Contributed capital	22	275,847	275,847
Revaluation surplus		473	498
Retained earnings		74,670	66,290
TOTAL EQUITY		350,990	342,635

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

Financial statements *continued*

Statement of cash flows

FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012 \$'000	2011 \$'000
Cash flows from operating activities			
Receipts from customers		475,897	448,112
Interest received		1,198	1,552
Payments to suppliers and employees		(426,911)	(423,206)
Income tax equivalent paid		(28,935)	(14,864)
Finance costs		(10,212)	(7,380)
Net cash flows(used in)/ from operating activities	23(b)	11,037	4,214
Cash flows from investing activities			
Payment for property, plant and equipment		(3,236)	(870)
Proceeds from sale of property, plant and equipment		353	33
Net cash flows (used in)/from investing activities		(2,883)	(837)
Cash flows from financing activities			
Proceeds of borrowings		144,696	113,593
Repayment of borrowings		(175,000)	(81,910)
Dividends paid to NSW Treasury		(36,600)	(51,792)
Net cash flows used in financing activities		(66,904)	(20,109)
Net decrease in cash and cash equivalents		(58,750)	(16,732)
Cash and cash equivalents at the beginning of the year		75,484	92,216
Cash and cash equivalents at the end of the year	23(a)	16,734	75,484

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

Financial statements *continued*

Statement of changes in equity

FOR THE YEAR ENDED 30 JUNE 2012

	Contributed capital \$'000	Revaluation surplus \$'000	Retained earnings \$'000	Total equity \$'000
Balance as at 1 July 2011	275,847	498	66,290	342,635
Profit for the year	-	-	48,863	48,863
Other comprehensive income				
Superannuation actuarial losses on defined benefit plans	-	-	(9,531)	(9,531)
Income tax relating to components of other comprehensive income	-	-	2,859	2,859
Transfer from reserve on disposal of asset	-	(25)	25	-
Total other comprehensive income	-	(25)	(6,647)	(6,672)
Total comprehensive income for the year	-	(25)	42,216	42,191
Transactions with owners in their capacity as owners				
Dividends to NSW Treasury	-	-	(33,836)	(33,836)
Balance as at 30 June 2012	275,847	473	74,670	350,990

Balance as at 1 July 2010	275,847	498	48,523	324,868
Profit for the year	-	-	54,323	54,323
Other comprehensive income				
Superannuation actuarial gain on defined benefit plans	-	-	63	63
Income tax relating to components of other comprehensive income	-	-	(19)	(19)
Total other comprehensive income	-	-	44	44
Total comprehensive income for the year	-	-	54,367	54,367
Transactions with owners in their capacity as owners				
Dividends to NSW Treasury	-	-	(36,600)	(36,600)
Balance as at 30 June 2011	275,847	498	66,290	342,635

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

Financial statements *continued*

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2012

REPORTING ENTITY

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

The financial statements for the year ended 30 June 2012 have been authorised for issue by the Board on 27 August 2012.

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

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of Preparation

These general purpose financial statements have been prepared in accordance with:

- the *State Owned Corporations Act 1989*;
- applicable Australian Accounting Standards (which include Australian Accounting Interpretations); and
- the requirements of the *Public Finance and Audit Act 1983* and *Public Finance and Audit Regulation 2010*.

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

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

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

1.2 Statement of Compliance

The financial statements and notes comply with the Australian Accounting Standards, which include Australian Accounting Interpretations.

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

1.3 Revenue Recognition

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

- Sales revenue comprises income from sale of land owned by Landcom, income from management of the sale of land not owned by Landcom, and income from others. Sales revenue is recognised when the significant risks and rewards of ownership of the land have passed to the buyer on settlement and can be reliably measured.
- Interest income is recognised as the interest accrues.
- Management fees are based on the general principle that there is a right to be compensated for services rendered and it is probable that economic benefits will result and the income can be reliably measured.
- Rental income is recognised in accordance with AASB 117 Leases on a straight-line basis over the term of the lease.
- Other income is 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 revenue can be reliably measured.

1.4 Expenditure Recognition

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

1.5 Employee Benefits

All liabilities for employee benefits are

fully provided for in accordance with AASB 119 *Employee Benefits* (refer to Note 18). Employee benefits applicable to Landcom are shown below.

Salaries and annual leave

Liabilities for salaries and annual leave (including non-monetary benefits) are recognised and measured in respect of employees' services up to the reporting date at undiscounted nominal amounts based on the amounts expected to be paid when the liabilities are settled.

Non-vesting sick leave

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

Long service leave

Long service leave is measured on a nominal value basis and compared to present value calculated in accordance with AASB 119 *Employee Benefits* for all employees with 5 or more years of service in the public sector every three years. The provision is calculated using estimated future increases in salary rates including related on-costs. This is in accordance with TC12/06 Accounting for Long Service Leave and Annual Leave.

Superannuation

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

Landcom has an obligation for the deferred benefit contribution which becomes payable on and after retirement of staff. Contribution is made to the State Superannuation Scheme (SSS), the State Authorities Superannuation Scheme (SASS) and

Financial statements *continued*

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2012

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.5 Employee Benefits (continued)

the State Authorities Non Contributory Superannuation Scheme (SANCS). The SAS Trustee Corporation through the fund's actuary has determined that unfunded superannuation contributions as at 30 June 2012 for the SASS, SANCS and SSS was estimated at \$17.456 million (2011: \$8.187 million).

Amounts representing prepaid superannuation contributions are recognised as an asset. Amounts representing unfunded superannuation are recognised as a liability. Actuarial gains and losses are recognised immediately as other comprehensive income/outside profit or loss in the year in which they occur.

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 on-costs

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

1.6 Insurance

Landcom carries a comprehensive range of insurances covering property, public liability, motor vehicles and other contingencies through the NSW Treasury Managed Fund of self-insurance for Government agencies. The expense (premium) is determined by the Fund Manager based on past claim experience. These insurance policies are reviewed annually to ensure that they are adequate and were current at 30 June 2012. No major claims exist under these policies at 30 June 2012.

1.7 Leases

Operating lease payments, where the

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

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

Lease incentives 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 on a straight-line basis over the term of the lease. Lease incentive (liability) is reduced by allocating lease rental payments between rental expenses and reduction of the liability at the beginning of the lease payment period until the end of the lease term.

Landcom has operating leases in place in respect of its head office premises in Parramatta, regional office in Newcastle, Tuncurry and sales offices at various locations within New South Wales. There are no contingent rentals payable in respect of these leases and the terms of renewal are between 1 and 5 years after lease terms expire.

1.8 Capitalisation of Expenses - Development Costs and Cost of Sales

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

1.9 Income Tax Equivalent Expense

Landcom is subject to notional taxation

in accordance with the *State Owned Corporation Act 1989*. From 1 July 2003, taxation liability has been assessed according to the Notional Tax Equivalent Regime of the NSW Treasury, which proposes, as far as practical, the adoption of the Commonwealth Income Tax Assessment Act 1997 (as amended) as the basis for determining taxation liability. Tax effect accounting has also been adopted from 1 July 2003.

Current tax

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

Deferred tax

Deferred tax is accounted for using the Statement of financial position liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the Statement of financial position. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

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

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

Financial statements *continued*

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2012

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.9 Income Tax Equivalent Expense (continued)

enacted or substantively enacted by reporting date.

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

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

Current and deferred tax for the year

Current and deferred tax is recognised as an expense or income in the Statement of comprehensive income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity.

1.10 Dividends to the NSW Treasury

Landcom is required to pay dividends to the Consolidated Fund of NSW Treasury in accordance with the *State Owned Corporations Act 1989* and as agreed in the Statement of Corporate Intent. For the year ended 30 June 2012, dividends are calculated in accordance with TPP 09-06 Financial Distribution Policy for Government Businesses.

1.11 Goods and Services Tax

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

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

The net amount of GST recoverable from

or payable to the ATO is included as part of receivables or payables.

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

1.12 Cash and Cash Equivalents

Cash comprises cash on hand and at the bank. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value and have a maturity of three months or less at the date of acquisition.

1.13 Trade and Other Receivables

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

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

Interest is charged on overdue settlement monies where agreed settlement dates are not met. The rate of interest applied varied during the year and is currently 12.54% (2011: 12.69%). 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 that are expected to be sold within the next 12 months are classified as current and the balance is classified as non-current. As the process of development progresses, land projects are reclassified from undeveloped land to work in progress, then, on completion, to developed land for sale.

Landcom reviews its inventory balances periodically and writes off inventory where the net realisable value is less than the carrying amount in the accounts. Landcom capitalises costs associated with pursuing development opportunities. Where there is a likelihood that the project will not progress then previously capitalised costs are written off and recognised as an expense in the Statement of comprehensive income.

1.15 Inventories - Land Valuation

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

1.16 Land, Buildings (Sales Offices) and Leasehold Improvements

Land and buildings (sales offices) are revalued every 5 years in accordance with Treasury guidelines (see Note 1.22). The last revaluation was performed in June 2008 by a Landcom qualified valuer. These values were based on land and building sales in the areas in which the properties are located.

Sales office buildings are depreciated on a straight line basis over 14 years.

Land is not a depreciable asset.

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

Financial statements *continued*

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2012

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 and impairment. Depreciation on all plant and equipment is calculated on the basis of the useful life of the asset to Landcom using the straight line method. The written down value of plant and equipment as at 30 June 2012 approximates fair value. Plant and equipment costing \$500 and above individually are capitalised.

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

Computer equipment	- 3 to 4 years
Office equipment	- 5 to 25 years
Motor Vehicles	- 8 years.

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

1.18 Trade and Other Payables

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

Amounts owing to suppliers are settled in accordance with the policy set out in the Treasurer's Directions. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or statement is received. The Treasurer's Directions allow the Minister to award interest for late payment.

Landcom also holds monies in trust paid by prospective buyers of land, as either

holding deposits or on exchange of contracts pending settlement.

1.19 Borrowings

All borrowings are recorded at face value net of any premium or discounts. Loans are not held for trading and are recognised at amortised cost using the effective interest method. Premiums and discounts are amortised over the life of the borrowings and charged to the Statement of comprehensive income. Borrowing costs are recognised as an expense when incurred. Gains and losses are recognised in the Statement of comprehensive income when the liabilities are derecognised as well as through the amortisation process.

1.20 Derivatives

NSW Treasury Corporation (TCorp) has been contracted to manage Landcom's debt portfolio and enters into futures agreements on Landcom's behalf. This type of derivative financial instrument is recognised in the financial statements on inception at fair value and is subsequently remeasured to fair value at each reporting date. The net amount receivable/payable is recognised in the Statement of financial position and any gains/losses incurred are recognised in the Statement of comprehensive income.

1.21 Financial Instruments

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

Information is disclosed in Note 24, 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.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount of the financial asset.

Income is recognised on an effective interest rate basis for debt instruments other than those financial assets 'at fair value through profit or loss'.

Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss where the financial asset:

- has been acquired principally for the purpose of selling in the near future;
- is a part of an identified portfolio of financial instruments that Landcom manages together and has a recent actual pattern of short-term profit-taking; or
- is a derivative that is not designated and effective as a hedging instrument.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment.

Interest income is recognised by applying the effective interest rate.

Financial statements *continued*

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2012

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.21 Financial Instruments (continued)

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of financial assets including uncollectible trade receivables is reduced by the impairment loss through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

Landcom derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If Landcom neither transfers nor retains

substantially all the risks and rewards of ownership and continues to control the transferred asset, Landcom recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If Landcom retains substantially all the risks and rewards of ownership of a transferred financial asset, Landcom continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount of the financial liability.

Derecognition of financial liabilities

Landcom derecognises a financial liability only when the obligation under the liability is discharged, cancelled or expired.

1.22 Revaluation of Property, Plant and Equipment

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

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

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

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

For other assets, any balances of accumulated depreciation at the revaluation date in respect of those assets are credited to the asset accounts to which they relate. The net asset accounts are then increased or decreased by the revaluation increments or decrements.

Revaluation increments are credited directly to the revaluation surplus, except that, to the extent that an increment reverses a revaluation decrement in respect of the same asset previously recognised as an expense in the Statement of comprehensive income, the increment is recognised immediately as revenue in the Statement of comprehensive income.

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

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

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

1.23 Provisions

Provisions are recognised when Landcom has a present obligation (legal or constructive) as a result of a past event, it is probable that Landcom will

Financial statements *continued*

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2012

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.23 Provisions (continued)

be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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

The provision to complete projects captures all unpaid development costs which were included in the original land development schedule. It is raised as an estimate based on known costs at the time when the land is ready for sales release. The provision also includes the value of works completed at 30 June 2012 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. All future costs that may result in connection with these completed

projects are recognised as provisions.

Provision for rebates is recognised when a lot is sold. As part of the conditions of sale, Landcom may be committed to make a payment to the purchaser provided certain design criteria are met and applied for within a specified period by the purchaser, usually between 12-24 months. This payment represents reimbursement for additional costs incurred by the purchaser in complying with the design criteria set by Landcom. If the time value of money is material, provisions are discounted at the pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability.

1.24 Intangible Assets

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

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

Computer software	- 4 years
Website costs	- 5 years

1.25 Recoverable Amount of Assets

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

1.26 Other Current Assets

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

1.27 Accounting Standards/Interpretations issued but not yet effective

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

Initial application of the following Standards/Interpretations is not expected to have any material impact on the financial statements of Landcom.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 Financial Instruments	1 January 2013	30 June 2013
AASB 13 Fair Value Measurement	1 January 2013	30 June 2013
AASB 119 Employee Benefits	1 January 2013	30 June 2013
AASB 1053 Applications of Tiers of Australian Accounting Standards	1 July 2013	30 June 2014
AASB 2010 -8 Deferred Tax	1 January 2012	30 June 2013
AASB 2011-9 Presentation of Items of Other Comprehensive Income	1 July 2012	30 June 2013

Financial statements *continued*

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2012

	2012 \$'000	2011 \$'000
2(a) Sales Revenue		
Income from land sales	294,504	316,826
Income from managed land sales	103,582	86,025
	398,086	402,851

2(b) Other Revenue		
Management fee – Crown Lands Homesites Program	585	773
Management fee – Sydney Water	-	4,551
Rental income	715	1,080
Land tax refund	834	1,240
Option fees	702	-
Other	1,003	324
	3,839	7,968

2(c) Finance Income		
Interest from bank	989	1,252
Interest from loan receivable	-	24
Unwinding of the discount rate	1,658	2,917
Interest from late settlement	209	276
Unrealised (loss)/gain on derivative asset	(131)	11
	2,725	4,480

3 Marketing Expenses		
Advertising	5,492	5,049
Sales contractors and commission	1,068	1,326
Other	526	200
	7,086	6,575

4 Employee Related Expenses		
Salaries and wages	16,107	16,367
Termination payments	765	214
Superannuation – defined benefit plans*	225	235
Superannuation – defined contribution plans	1,222	1,253
Long service leave	1,785	814
Annual leave	1,220	1,273
Workers' compensation insurance	91	121
Payroll tax and fringe benefits tax	1,293	1,127
Other employee related expenses	1,101	607
	23,809	22,011
Transfer of capital costs to inventories	(6,871)	(5,429)
	16,938	16,582

* Refer Note 19. Superannuation actuarial gain / (loss) of (\$9,531,000) (2011: \$63,000 gain) are recognised in the Statement of comprehensive income.

Total superannuation expense, including actuarial gain / (loss) recognised in the Statement of comprehensive income is (\$9,755,000) (2011: \$171,000 gain).

Financial statements *continued*

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2012

	2012 \$'000	2011 \$'000
5 Other Operating Expenses		
Auditor's remuneration – audit of financial statements	205	205
Operating lease rental expense – minimum lease payments	1,175	1,339
Maintenance	773	785
Insurance	118	96
General administrative costs	8,800	6,880
Council rates	1,762	1,482
Land tax	9,488	9,331
Adjustment of inventory to net realisable value	5,887	15,366
Property and accommodation expenses	1,025	663
Expenses incurred on project management	-	4,662
Consultancy fees	58	182
Bad debts	-	56
	29,291	41,047
Transfer of capital costs to inventories	(1,986)	(1,689)
	27,305	39,358

6 Depreciation and Amortisation Expense

Buildings	103	51
Leasehold improvements	106	142
Plant and equipment	189	196
Intangible assets	107	88
Motor vehicles	32	37
	537	514

7 Finance Costs

Interest	7,363	7,553
Unwinding of the discount rate	890	878
Amortisation of loan premium	5	(186)
Government guarantee fee	2,727	1,687
	10,985	9,933

Financial statements *continued*

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2012

	2012 \$'000	2011 \$'000
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8 Income Tax

Income tax expense recognised in the Statement of comprehensive income

The major components of income tax expense for the years ended 30 June 2012 and 2011 are:

Current income tax charge	23,768	30,426
Adjustments for prior years	-	99
Deferred income tax		
Origination and reversal of temporary differences	(2,808)	(7,501)
Income tax expense reported in the Statement of comprehensive income	20,960	23,024
Deferred income tax (revenue)/expense included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets	(4,194)	(6,399)
(Decrease)/increase in deferred tax liabilities	1,386	(1,102)
	(2,808)	(7,501)
Income tax expense recognised directly in equity		
Deferred income tax related to items charged or credited directly to equity:		
Superannuation actuarial gain/(loss)	(2,859)	19
Income tax expense reported in equity	(2,859)	19

A reconciliation between tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the entity's effective income tax rate:

Accounting profit before income tax	69,823	77,348
At the statutory income tax rate of 30% (2011: 30%)	20,947	23,205
Deductions not allowable for income tax purposes	3	4
Recognition of temporary differences	10	(284)
Under/(over) provided in prior years	-	99
Income tax expense reported in the Statement of comprehensive income	20,960	23,024

9 Cash and Cash Equivalents

Cash at bank and on hand	16,734	75,484
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Included in the cash and cash equivalents is restricted cash of \$4.610 million (2011 \$6.201 million). These funds are held as security deposits for various projects.

Financial statements *continued*

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2012

	2012 \$'000	2011 \$'000
10 Trade and Other Receivables		
Current		
Trade receivables	11,367	38,567
Allowance for impairment loss	(628)	(1,611)
Development bonds	1,823	1,930
Development contributions	3,959	6,432
Other receivable	183	341
	16,704	45,659
Non-current		
Trade receivables	12,894	18,399
Development bonds	-	52
Loan receivables	1,149	1,086
	14,043	19,537
Movement in the allowance for impairment loss		
Balance at the beginning of the year	1,611	-
Amounts written off during the year	(462)	-
Increase/(decrease) in allowance recognized in profit or loss	(521)	1,611
Balance at the end of the year	628	1,611

The non-current trade receivable of \$12.894 million (2011: \$18.399 million) included deferral of payment for sale of land for the project at Wolli Creek of \$12.894 million (2011: of \$16.135 million) and receivable from City of Sydney Council for development at Green Square \$Nil million (2011: \$2.436 million).

Non-current loan receivables represent second mortgages with purchasers of properties sold at Stanhope Gardens amounting to \$1.149 million (2011: \$1.086 million) as part of Landcom's moderate income housing programme. The second mortgages must be repaid within 10 years or on sale of the properties, whichever comes first.

11 Inventories

Current		
Work in progress	194,456	133,822
Developed land	94,891	84,010
	289,347	217,832
Non-current		
Work in progress	85,120	112,136
Undeveloped land	327,854	262,081
	412,974	374,217
Total	702,321	592,049
Details of inventories:		
Acquisition costs	384,278	341,391
Development costs	275,054	212,965
Other costs	42,989	37,693
	702,321	592,049

Financial statements *continued*

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2012

	2012 \$'000	2011 \$'000
12 Other		
Current		
Prepayments	5,860	241
	5,860	241

13 Property, Plant and Equipment

Land		
At fair value	1,665	1,325
Buildings		
At gross carrying amount	2,878	1,123
Accumulated depreciation	(317)	(234)
Net carrying amount at fair value	2,561	889
Leasehold improvements		
At gross carrying amount	4,018	3,922
Accumulated depreciation	(3,911)	(3,805)
Net carrying amount at fair value	107	117
Motor vehicles		
At gross carrying amount	248	296
Accumulated depreciation	(81)	(61)
Net carrying amount at fair value	167	235
Plant and equipment		
At gross carrying amount	1,909	1,911
Accumulated depreciation	(1,349)	(1,228)
Net carrying amount at fair value	560	683
Total net carrying amount	5,060	3,249

Financial statements *continued*

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2012

13 Property, Plant and Equipment (continued)

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Reconciliation

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

2012	Land at fair value \$'000	Buildings at fair value \$'000	Leasehold improvements at fair value \$'000	Motor vehicles at fair value \$'000	Plant & equipment at fair value \$'000	Total \$'000
Net carrying amount at beginning of the year	1,325	889	117	235	683	3,249
Additions	576	1,839	96	-	69	2,580
Disposals	(236)	(64)	-	(36)	(3)	(339)
Transfer to inventory	-	-	-	-	-	-
Depreciation expense	-	(103)	(106)	(32)	(189)	(430)
Net carrying amount at the end of the year	1,665	2,561	107	167	560	5,060

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

2011	Land at fair value \$'000	Buildings at fair value \$'000	Leasehold improvements at fair value \$'000	Motor vehicles at fair value \$'000	Plant & equipment at fair value \$'000	Total \$'000
Net carrying amount at beginning of the year	1,136	546	259	259	1,091	3,291
Additions	189	394	-	46	242	871
Disposals	-	-	-	(33)	-	(33)
Transfer to inventory	-	-	-	-	(454)	(454)
Depreciation expense	-	(51)	(142)	(37)	(196)	(426)
Net carrying amount at the end of the year	1,325	889	117	235	683	3,249

Financial statements *continued*

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2012

	2012 \$'000	2011 \$'000
14 Intangible Assets		
Computer software and website		
<i>Gross carrying amount</i>		
Carrying amount at beginning of the year	3,690	3,690
Additions	657	-
Carrying amount at end of the year	4,347	3,690
<i>Accumulated amortisation and impairment</i>		
Carrying amount at beginning of the year	(3,581)	(3,493)
Amortisation expense and impairment	(107)	(88)
Carrying amount at end of the year	(3,688)	(3,581)
Net carrying amount at end of the year	659	109

15 Deferred Tax Assets

The balance comprises temporary differences attributable to:

Depreciation and amortisation	743	748
Provisions	38,448	30,898
Sundry	170	166
Fair value adjustments	1,026	1,522
	40,387	33,334
Movements		
Carrying amount at beginning of the year	33,334	26,954
Credited/(charge) to the Statement of comprehensive income	4,194	6,399
Credited/(charge) to equity	2,859	(19)
Carrying amount at end of the year	40,387	33,334

16 Trade and Other Payables

Current		
Trade payables	51,884	26,549
Unearned income	43,710	25,933
Bonds and deposits held	10,332	9,807
Accrued expenses	30,582	32,065
Other payables	57	489
Retentions	425	375
	136,990	95,218
Non-current		
Unearned income	10,453	16,707
	10,453	16,707

Financial statements *continued*

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2012

	2012 \$'000	2011 \$'000
17 Current Tax Liabilities		
Carrying amount at beginning of the year	40,693	25,031
Income tax expense	20,960	23,024
Movement in deferred tax assets/(liabilities)	2,808	7,502
Tax payment	(28,935)	(14,864)
Carrying amount at end of the year	35,526	40,693

18 Provisions

(a) Employee benefits – current		
Provision for annual leave	1,208	1,303
Provision for long service leave		
- Expected to be settled within 12 months	521	412
- Expected to be settled after 12 months	4,689	3,710
Provision for superannuation liability (see Note 19)	17,456	8,187
Accrued on-costs	861	543
	24,735	14,155
(b) Employee benefits – non-current		
Provision for long service leave	274	217
Accrued on-costs	33	18
	307	235
Total employee benefits	25,042	14,390
(c) Other provisions – current		
Provision to complete projects	79,062	73,100
Provision for rebates	2,677	2,120
Provision for other	157	157
Provision for distribution to NSW Treasury	33,836	36,600
	115,732	111,977
(d) Other provisions – non-current		
Provision to complete projects	32,583	24,843
Provision for rebates	2,953	2,814
	35,536	27,657
Total current and non-current provisions		
Current provisions	140,467	126,132
Non-current provisions	35,843	27,892
	176,310	154,024

The dividend payable of \$33.836 million (2011: \$36.600 million) is calculated based on 70% of profit after tax, excluding certain non-cash items of financial instrument fair value movements of \$0.768 million income (2011: \$2.039 million expense).

Reconciliations of the carrying amount of each class of provision are set out below:

Financial statements *continued*

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2012

18 Provisions (continued)

Employee benefits

2012	Provision for annual leave	Provision for long service leave	Superannuation liability	Accrued on-costs	Other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at beginning of the year	1,303	4,339	8,187	561	-	14,390
Additional provisions recognised	1,220	1,786	9,638	333	-	12,977
Amounts used during the year	(1,315)	(641)	(369)	-	-	(2,325)
Carrying amount at end of the year	1,208	5,484	17,456	894	-	25,042

2011	Provision for annual leave	Provision for long service leave	Superannuation liability	Accrued on-costs	Other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at beginning of the year	1,277	4,166	8,501	763	-	14,707
Additional provisions recognised	1,273	823	34	-	-	2,130
Amounts used during the year	(1,247)	(650)	(348)	(202)	-	(2,447)
Carrying amount at end of the year	1,303	4,339	8,187	561	-	14,390

Other provisions

2012	Provision for distribution to NSW Treasury	Provision for rectification works	Provision for rebates	Provision to complete projects	Provision for other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at beginning of the year	36,600	-	4,934	97,943	157	139,634
Additional provisions recognised	33,836	-	2,619	49,043	-	85,498
Reductions in provisions from payments	(36,600)	-	(1,923)	(33,423)	-	(71,946)
Change in provisions from re-measurement	-	-	-	(1,918)	-	(1,918)
Carrying amount at end of the year	33,836	-	5,630	111,645	157	151,268

2011	Provision for distribution to NSW Treasury	Provision for rectification works	Provision for rebates	Provision to complete projects	Provision for other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at beginning of the year	51,792	-	4,060	67,994	157	124,003
Additional provisions recognised	36,600	-	2,711	69,399	-	108,710
Reductions in provisions from payments	(51,792)	-	(1,837)	(34,149)	-	(87,778)
Change in provisions from re-measurement	-	-	-	(5,301)	-	(5,301)
Carrying amount at end of the year	36,600	-	4,934	97,943	157	139,634

Financial statements *continued*

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2012

19 Superannuation

Fund information

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

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

These schemes are all defined benefit schemes – at least a component of the final benefit is derived from a multiple of member salary and years of membership.

All the Schemes are closed to new members.

Superannuation position as at 30 June 2012

	SASS 30-Jun-12	SANCS 30-Jun-12	SSS 30-Jun-12	TOTAL 30-Jun-12
Member numbers				
Contributors	13	21	8	42
Deferred benefits	-	-	1	1
Pensioners	-	-	9	9
Pensions fully commuted	-	-	2	2
Superannuation position for AASB 119 purposes	\$'000	\$'000	\$'000	\$'000
Accrued liability	5,983	1,521	25,344	32,848
Estimated reserve account balance	(3,163)	(747)	(11,482)	(15,392)
	2,820	774	13,862	17,456
Future Service Liability (Note 1)	(1,227)	(540)	(1,004)	(2,771)
Surplus in excess of recovery available from schemes	-	-	-	-
Net (asset)/liability to be recognised in the Statement of financial position*	2,820	774	13,862	17,456

*Refer Note 18

Note 1:

The Future Service Liability (FSL) does not have to be recognised by an employer. It is only used to determine if an asset ceiling limit should be imposed (AASB 119, para 58). Under AASB 119, any prepaid superannuation asset recognised cannot exceed the total of any unrecognised past service cost and the present value of any economic benefits that may be available in the form of refunds from the plan or reductions in future contributions to the plan. Where the "surplus in excess of recovery" is zero, no asset ceiling limit is imposed.

Financial statements *continued*

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2012

19 Superannuation (continued)

	SASS 30-Jun-12 \$'000	SANCS 30-Jun-12 \$'000	SSS 30-Jun-12 \$'000	TOTAL 30-Jun-12 \$'000
Reconciliation of the present value of the defined benefit obligation				
Present value of partly funded defined benefit obligation at beginning of the year	6,811	1,448	17,402	25,661
Current service cost	193	67	119	379
Interest cost	349	75	907	1,331
Contributions by Fund participants	100	-	111	211
Actuarial (gains)/losses	112	177	7,540	7,829
Benefits paid	(1,583)	(246)	(735)	(2,564)
Present value of partly funded defined benefit obligation at end of the year	5,982	1,521	25,344	32,847
Reconciliation of the fair value of Fund assets				
Fair value of Fund assets at beginning of the year	4,799	914	11,762	17,475
Expected return on Fund assets	405	79	1,001	1,485
Actuarial gains/(losses)	(764)	(75)	(862)	(1,701)
Employer contributions	205	75	206	486
Contributions by Fund participants	100	0	111	211
Benefits paid	(1,583)	(246)	(735)	(2,564)
Fair value of Fund assets at end of the year	3,162	747	11,483	15,392
Reconciliation of the assets and liabilities recognised in the Statement of financial position				
Present value of partly funded defined benefit obligation at end of year	5,982	1,521	25,344	32,847
Fair value of Fund assets at end of year	(3,162)	(747)	(11,483)	(15,392)
Subtotal	2,820	774	13,861	17,455
Net liability/(asset) recognised in the Statement of financial position* at end of year	2,820	774	13,861	17,455
Components recognised in the Statement of comprehensive income				
Current service cost	193	67	119	379
Interest cost	349	75	907	1,331
Expected return on Fund assets (net of expenses)	(405)	(79)	(1,001)	(1,485)
Expense/(income) recognised	137	63	25	225

*Refer Note 18.

The superannuation expense recognised in the Statement of comprehensive income is included in the line item 'Employee related expenses'. Superannuation actuarial loss of \$9.531million (2011: \$63,000 gain) are separately identified in the Statement of comprehensive income.

The cumulative amount of actuarial losses recognised in the Statement of comprehensive income since 1 July 2004 is \$15,832,000.

Before 1 July 2004 and the adoption of Australian Equivalents to International Financial Reporting Standards (AEIFRS), it is not practical to determine the cumulative actuarial gain/loss as if the new policy had always been applied, given that the actuarial gains and losses were not separately identified and accumulated, and the superannuation expense was calculated on a different basis.

Financial statements *continued*

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2012

19 Superannuation (continued)

	SASS 30-Jun-12 \$'000	SANCS 30-Jun-12 \$'000	SSS 30-Jun-12 \$'000	Total 30-Jun-12 \$'000
Amounts recognised in the Statement of comprehensive income				
Actuarial (gains)/losses	876	252	8,403	9,531
Adjustment for limit on net asset	-	-	-	-
Cumulative amount recognised in the Statement of comprehensive income				
Cumulative amount of actuarial losses	2,372	625	12,835	15,832
Cumulative adjustment for limitation on net asset	-	-	-	-

Fund assets

The percentage invested in each asset class at the date of the Statement of financial position:

	30-Jun-12
Australian equities	28.0%
Overseas equities	23.7%
Australian fixed interest securities	4.9%
Overseas fixed interest securities	2.4%
Property	8.6%
Cash	19.5%
Other	12.9%

Fair value of Fund assets

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

Expected rate of return on assets

The expected return on assets assumption is determined by weighting the expected long-term return for each asset class by the target allocation of assets to each class. The returns used for each class are net of investment tax and investment fees.

Actual return on Fund assets

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Actual return on Fund assets	11	4	(1)	14

Valuation method and principal actuarial assumptions at the date of the Statement of financial position

a) Valuation method

The Projected Unit Credit (PUC) valuation method was used to determine the present value of the defined benefit obligations and the related current service costs. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

b) Economic assumptions

	30-June-12
Salary increase rate (excluding promotional increases)	2.5% pa
Rate of CPI Increase	2.5% pa
Expected rate of return on assets backing current pension liabilities	8.6% pa
Discount rate	3.06% pa

Financial statements *continued*

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2012

19 Superannuation (continued)

c) Demographic assumptions

The demographic assumptions at 30 June 2012 are those used in the 2009 triennial actuarial valuation. The triennial review report tabled in the Parliament in December 2009 is available from the NSW Treasury website.

	SASS 30-Jun-12 \$'000	SANCS 30-Jun-12 \$'000	SSS 30-Jun-12 \$'000	Total 30-Jun-12 \$'000
Historical information				
Present value of defined benefit obligation	5,983	1,521	25,344	32,848
Fair value of Fund assets	(3,163)	(747)	(11,483)	(15,393)
(Surplus)/Deficit in Fund	2,820	774	13,861	17,455
Experience adjustments – Fund liabilities	112	177	7,540	7,829
Experience adjustments – Fund assets	764	75	862	1,701
Expected contributions				
Expected employer contributions to be paid in the next reporting period	190	71	177	438

Funding arrangements for employer contributions

a) Surplus/deficit

The following is a summary of the 30 June 2012 financial position of the Fund calculated in accordance with **AAS 25 Financial Reporting by Superannuation Plans**:

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Accrued benefits	5,034	1,247	12,757	19,038
Net market value of Fund assets	(3,163)	(746)	(11,483)	(15,392)
Net (surplus)/deficit	1,871	501	1,274	3,646

b) Contribution recommendations

Recommended contribution rates for the entity are:

	SASS	SANCS	SSS
	multiple of member contributions	% member salary	multiple of member contributions
	1.9	2.5	1.6

c) Funding method

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

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

Financial statements *continued*

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2012

19 Superannuation (continued)

d) Economic assumptions

The economic assumptions adopted for the 2009 actuarial review of the Fund are:

Weighted-average assumptions

Expected rate of return on Fund assets backing current pension liabilities	8.3% pa
Expected rate of return on Fund assets backing other liabilities	7.3% pa
Expected salary increase rate	4.0% pa
Expected rate of CPI increase	2.5% pa

Nature of asset/liability

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

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

The STC, through the fund's actuary, has determined that unfunded superannuation contributions as at 30 June 2012 for the SASS, the SANCS and the SSS was estimated at \$17.456 million (2011 prepaid superannuation contributions \$8.187 million).

Superannuation position as at 30 June 2011

	SASS 30-Jun-11	SANCS 30-Jun-11	SSS 30-Jun-11	TOTAL 30-Jun-11
Member numbers				
Contributors	15	23	8	46
Deferred benefits	-	-	1	1
Pensioners	-	-	9	9
Pensions fully commuted	-	-	2	2

Superannuation position for AASB 119 purposes	\$'000	\$'000	\$'000	\$'000
Accrued liability	6,811	1,448	17,402	25,661
Estimated reserve account balance	(4,799)	(914)	(11,762)	(17,474)
	2,013	535	5,640	8,187
Future Service Liability (Note 1)	(1,155)	(520)	(717)	(2,393)
Surplus in excess of recovery available from schemes	-	-	-	-
Net (asset)/liability to be recognised in the Statement of financial position*	2,013	535	5,640	8,187

* Refer Note 18.

Note 1:

The Future Service Liability (FSL) does not have to be recognised by an employer. It is only used to determine if an asset ceiling limit should be imposed. Under AASB 119 Employee Benefits, any prepaid superannuation asset recognised cannot exceed the total of any unrecognised past service cost and the present value of any economic benefits that may be available in the form of refunds from the plan or reductions in future contributions to the plan. Where the "surplus in excess of recovery" is zero, no asset ceiling limit is imposed.

Financial statements *continued*

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2012

19 Superannuation (continued)

	SASS	SANCS	SSS	Total
	30-Jun-11	30-Jun-11	30-Jun-11	30-Jun-11
	\$'000	\$'000	\$'000	\$'000
Reconciliation of the present value of the defined benefit obligation				
Present value of partly funded defined benefit obligations at beginning of the year	7,074	1,642	17,501	26,217
Current service cost	212	77	125	414
Interest cost	358	83	896	1,337
Contributions by fund participants	110	-	159	269
Actuarial (gains)/losses	(136)	(58)	(824)	(1,018)
Benefits paid	(808)	(295)	(455)	(1,558)
Present value of partly funded defined benefit obligation at end of the year	6,810	1,449	17,402	25,661

	SASS	SANCS	SSS	Total
	30-Jun-11	30-Jun-11	30-Jun-11	30-Jun-11
	\$'000	\$'000	\$'000	\$'000
Reconciliation of the fair value of Fund assets				
Fair value of Fund assets at beginning of the year	5,129	1,047	11,540	17,716
Expected return on fund assets	438	90	988	1,516
Actuarial gains/(losses)	(275)	(4)	(676)	(955)
Employer contributions	204	76	205	485
Contributions by Fund participants	110	-	159	269
Benefits paid	(808)	(295)	(455)	(1,558)
Fair value of Fund assets at end of the year	4,798	914	11,761	17,473

Reconciliation of the assets and liabilities recognised in the Statement of financial position				
Present value of partly funded defined benefit obligations at end of year	6,811	1,449	17,402	25,662
Fair value of fund assets at end of year	(4,799)	(914)	(11,762)	(17,475)
Subtotal	2,012	535	5,640	8,187
Net liability /(asset) recognised in the Statement of financial position* at end of the year	2,012	535	5,640	8,187

Components recognised in the Statement of comprehensive income				
Current service cost	212	77	125	414
Interest cost	358	83	895	1,336
Expected return on Fund assets (net of expenses)	(438)	(90)	(988)	(1,516)
Actuarial losses /(gains) recognised in year	-	-	-	-
Expense/(income) recognised	132	70	32	234

*Refer Note 18.

Financial statements *continued*

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2012

19 Superannuation (continued)

	SASS	SANCS	SSS	Total
	30-Jun-11	30-Jun-11	30-Jun-11	30-Jun-11
	\$'000	\$'000	\$'000	\$'000

Amounts recognised in the Statement of comprehensive income

Actuarial losses	140	(54)	(149)	(63)
Adjustment for limit on net asset	-	-	-	-

Cumulative amount recognised in the Statement of comprehensive income

Cumulative amount of actuarial losses	1,496	373	4,432	6,301
Cumulative adjustment for limitation on net asset	-	-	-	-

Fund assets

The percentage invested in each asset class at the date of the Statement of financial position:

	30-Jun-11
Australian equities	33.4%
Overseas equities	29.5%
Australian fixed interest securities	5.7%
Overseas fixed interest securities	3.1%
Property	9.9%
Cash	5.1%
Other	13.3%

Fair value of Fund assets

All Fund assets are invested by the STC at arm's length through independent fund managers.

Expected rate of return on assets

The expected return on assets assumption is determined by weighting the expected long-term return for each asset class by the target allocation of assets to each class. The returns used for each class are net of investment tax and investment fees.

Actual return on Fund assets

	SASS	SANCS	SSS	Total
	30-Jun-11	30-Jun-11	30-Jun-11	30-Jun-11
	\$'000	\$'000	\$'000	\$'000
Actual return on Fund assets	432	86	960	1,478

Valuation method and principal actuarial assumptions at the date of the Statement of financial position

a) Valuation method

The Projected Unit Credit (PUC) valuation method was used to determine the present value of the defined benefit obligations and the related current service costs. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

b) Economic assumptions

	30-Jun-11
Salary increase rate (excluding promotional increases)	3.5% pa
Rate of CPI Increase	2.5% pa
Expected rate of return on assets backing current pension liabilities	8.6% pa
Discount rate	5.28% pa

Financial statements *continued*

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2012

19 Superannuation (continued)

c) Demographic assumptions

The demographic assumptions at 30 June 2011 were those used in the 2009 triennial actuarial valuation. These are the same assumptions used in the current 2011-2012 reporting year.

	SASS 30-Jun-11 \$'000	SANCS 30-Jun-11 \$'000	SSS 30-Jun-11 \$'000	Total 30-Jun-11 \$'000
Historical information				
Present value of defined benefit obligation	6,811	1,448	17,402	25,661
Fair value of Fund assets	(4,799)	(914)	(11,762)	(17,475)
Deficit in Fund	2,013	535	5,640	8,188
Experience adjustments – Fund liabilities	(136)	(58)	(824)	(1,018)
Experience adjustments – Fund assets	275	4	676	955
Expected contributions				
Expected employer contributions to be paid in the next reporting period	210	83	254	547

Funding arrangements for employer contributions

a) Surplus/deficit

The following is a summary of the 30 June 2011 financial position of the Fund calculated in accordance with AAS 25 Financial Reporting by Superannuation Plans:

	SASS 30-Jun-11 \$'000	SANCS 30-Jun-11 \$'000	SSS 30-Jun-11 \$'000	Total 30-Jun-11 \$'000
Accrued benefits	6,199	1,301	12,018	19,518
Net market value of Fund assets	(4,799)	(914)	(11,762)	(17,475)
Net deficit	1,400	387	256	2,043

b) Contribution recommendations

Recommended contribution rates for the entity are:

	SASS	SANCS	SSS
	multiple of member c contributions	% member salary	multiple of member contributions
	1.9	2.5	1.6

c) Funding method

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

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

Financial statements *continued*

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2012

19 Superannuation (continued)

d) *Economic assumptions*

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

Weighted-average assumptions

Expected rate of return on Fund assets backing current pension liabilities	8.3% pa
Expected rate of return on Fund assets backing other liabilities	7.3% pa
Expected salary increase rate	4.0% pa
Expected rate of CPI increase	2.5% pa

e) *Historical experience*

The history of experience adjustments is as follows:

SASS	2012	2011	2010	2009	2008
	\$'000	\$'000	\$'000	\$'000	\$'000
Historical information					
Present value of defined benefit obligation	5,983	6,811	7,074	6,496	6,358
Fair value of Fund assets	(3,163)	(4,799)	(5,129)	(4,871)	(5,417)
(Surplus)/Deficit in Fund	2,820	2,013	1,945	1,625	941
Experience adjustments – Fund liabilities	112	(136)	361	(328)	144
Experience adjustments – Fund assets	764	275	(20)	1,054	705

SANCS	2012	2011	2010	2009	2008
	\$'000	\$'000	\$'000	\$'000	\$'000
Historical information					
Present value of defined benefit obligation	1,521	1,448	1,642	1,460	1,359
Fair value of Fund assets	(747)	(914)	(1,047)	(1,011)	(1,136)
(Surplus)/Deficit in Fund	774	535	595	449	223
Experience adjustments – Fund liabilities	177	(58)	168	41	61
Experience adjustments – Fund assets	75	4	4	201	185

SSS	2012	2011	2010	2009	2008
	\$'000	\$'000	\$'000	\$'000	\$'000
Historical information					
Present value of defined benefit obligation	25,344	17,402	17,501	15,395	12,372
Fair value of Fund assets	(11,483)	(11,762)	(11,540)	(10,298)	(11,228)
(Surplus)/Deficit in Fund	13,861	5,640	5,961	5,097	1,144
Experience adjustments – Fund liabilities	7,540	(824)	1,258	2,372	(231)
Experience adjustments – Fund assets	862	676	281	1,814	1,909

Financial statements *continued*

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2012

	2012 \$'000	2011 \$'000
20 Borrowings		
Current		
Unsecured loans at face value (i)	29,593	60,000
Unamortised premiums	(4)	(8)
Total current borrowings	29,589	59,992
Non-current		
Unsecured loans at face value (i)	59,697	59,593
Unamortised discounts	-	-
Total non-current borrowings	59,697	59,593
Repayment of borrowings		
Not later than 1 year	29,589	59,992
Between 1 and 5 years	59,697	59,593
Total borrowings	89,286	119,585

Summary of borrowing arrangements:

- (i) Fixed rate loans with NSW Treasury Corporation (TCorp) with maturity periods not exceeding three years (2011: three years). The weighted average interest rate is 5.08% p.a. (2011: 5.96% p.a.).
- (ii) Landcom has undrawn facilities sufficient to meet obligations as and when they fall due.

21 Deferred Tax Liabilities

The balance comprises temporary differences attributable to:

Fair value adjustments	560	827
Prepayments	1,653	-
	2,213	827
Movements		
Carrying amount at beginning of the year	827	1,929
Charge to the Statement of comprehensive income	1,386	(1,102)
Carrying amount at end of the year	2,213	827

22 Contributed capital

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

Financial statements *continued*

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2012

2012	2011
\$'000	\$'000

23 Reconciliation of Cash Flows arising from Operating Activities to Net Profit for the year

- (a) For the purpose of the Statement of cash flows, cash and cash equivalents include cash at bank and cash on hand. 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 and cash equivalents (see note 9)	16,734	75,484
(b) Reconciliation from the Net cash flows from operating activities to the Net Profit for the year :		
Net cash flows (used in)/ from operating activities	11,037	4,214
Depreciation and amortisation	(537)	(514)
Gain/(loss) from sale of property, plant and equipment	8	(7)
Amortisation of loan premium	(5)	186
Unwinding of discount rate income and expense	768	2,048
Unrealised (loss)/gain on derivative asset	-	(11)
Change in assets and liabilities		
(Increase) in provisions	(15,519)	(30,569)
(Increase) in payables and tax liabilities	(31,731)	(13,524)
Increase/(decrease) in receivables	(35,217)	(1,474)
Increase/(decrease) in inventory and other assets	120,059	93,974
Net Profit for the year	48,863	54,323

- (c) Landcom has access to financing facilities at reporting date as indicated in Note 20. Landcom expects to meet its obligations from operating cash flows and proceeds of maturing financial assets.

24 Financial Instruments

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

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

The Audit and Risk Management Committee has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by Landcom to set the risk limits and controls and to monitor risks. Compliance with policies is reviewed by the Audit and Risk Management Committee on a continuous basis.

Financial statements *continued*

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2012

24 Financial Instruments (continued)

Financial instrument categories

Financial assets	Notes	Category	Carrying amount 2012 \$'000	Carrying amount 2011 \$'000
Class				
Cash and cash equivalents	9	N/A	16,734	75,484
Trade and other receivables	10	Loans and receivables (at amortised cost)	30,747	65,195
Derivatives	24	Financial assets measured at fair value	-	27
Financial liabilities				
Class				
Trade and other payables	16	Financial liabilities measured at amortised cost	141,614	104,208
Borrowings	20	Financial liabilities measured at amortised cost	89,286	119,585

Note:

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

(a) Credit risk

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

There is no significant concentration of credit risk arising in respect of receivables.

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

All trade debtors are recognised as amounts receivable at reporting date and are reviewed regularly for collectibility on an ongoing basis. An allowance for impairment loss of \$628,123 (2011: \$1,610,995) has been raised against trade debtors. No interest is earned on trade debtors.

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

	\$'000 Total	\$'000 Past due but not impaired	\$'000 Considered Impaired
2012			
< 3 Months overdue	6,858	6,858	-
3 months – 6 months overdue	-	-	-
> 6 months overdue	666	37	628

Financial statements *continued*

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2012

24 Financial Instruments (continued)

	\$'000	\$'000	\$'000
	Total	Past due but not impaired	Considered Impaired
2011			
< 3 Months overdue	30,490	30,490	-
3 months – 6 months overdue	711	24	687
> 6 months overdue	2,747	1,823	924

Note:

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

Landcom has given TCorp letters of undertaking to various councils/government agencies that certain infrastructure works will be carried out including electrical infrastructure works, construction of community centre, etc. The maximum exposure to credit risk of these TCorp letters of undertaking is \$19.32 million (2011: \$23.98 million).

(b) Liquidity risk

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

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

Maturity analysis and interest rate exposure of financial liabilities

	Interest rate exposure					Maturity dates		
	Weighted average effective interest rate	Nominal amount	Fixed interest rate	Variable interest rate	Non interest bearing	< 1 Year	1 – 5 Years	> 5 Years
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2012								
Payables	-	141,614	-	-	141,614	131,161	10,453	-
Borrowings	5.08%	96,490	96,490	-	-	34,125	62,365	-
	-	238,104	96,490	-	141,614	165,286	72,818	-
2011								
Payables	-	104,207	-	-	104,207	87,501	16,707	-
Borrowings	5.96%	128,490	128,490	-	-	62,085	66,405	-
	-	232,698	128,490	-	104,207	149,585	83,113	-

Note:

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

(c) Market risk

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

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

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2012

24 Financial Instruments (continued)

(d) Interest rate risk

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

Exposure to interest rate risk arises primarily through Landcom's interest bearing liabilities. This risk is minimized by undertaking mainly fixed rate borrowings with TCorp. Landcom does not account for any fixed rate financial instruments at fair value through profit or loss or as available for sale.

The following table provides the sensitivity analysis of interest rate risk affecting financial assets and liabilities on the operating result of Landcom. Landcom's borrowings are fixed interest and are held to maturity and therefore are not affected by interest rate movements. A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates. Landcom's exposure to interest rate risk is set out below.

	Carrying amount \$'000	Profit -1% \$'000	Equity -1% \$'000	Profit +1% \$'000	Equity +1% \$'000
2012					
Financial assets					
Cash and cash equivalents	16,734	(167)	-	167	-
2011					
Financial assets					
Cash and cash equivalents	75,484	(755)	-	755	-

(e) Net fair value

As stated in Note 1.21, all financial instruments are carried at net fair value, unless stated otherwise. The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

(f) Fair value recognised in the Statement of financial position

Landcom uses the following hierarchy for disclosing the fair value of financial instruments by valuation technique:

- Level 1 – Derived from quoted prices in active markets for identical assets/liabilities.
- Level 2 – Derived from inputs other than quoted prices that are observable directly or indirectly.
- Level 3 – Derived from valuation techniques that include inputs for the asset/liability not based on observable market data (unobservable inputs).

2012	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets at fair value				
Derivatives	0	0	0	0
2011				
Financial assets at fair value				
Derivatives	27	0	0	27

There were no transfers between levels 1 and 2 during the year ended 30 June 2012.

Financial statements *continued*

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2012

24 Financial Instruments (continued)

(g) 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.

Landcom has interest rate future contracts at a \$Nil million (2011: \$4.8 million) face value to hedge against unfavourable interest rate movement.

Net exposure

The market values of Landcom's transaction in derivative financial instruments outstanding at 30 June 2012 and 30 June 2011 are as follows:

	2012 \$'000	2011 \$'000
Fair value of derivative financial instruments		
Amount receivable under derivative financial instrument	-	27

25 Expenditure Commitments

(a) Expenditure commitments

Aggregate expenditure contracted for at reporting date but not provided for:

Not later than one year

423

304

Total expenditure commitments (including GST)

423

304

The total expenditure commitments above include input tax credits of \$0.038 million that are expected to be recoverable from the ATO (30 June 2011: \$0.028 million).

(b) Operating lease commitments

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

Not later than one year

1,718

1,635

Later than one year but not later than five years

1,372

1,313

Total operating lease commitments (including GST)

3,090

2,948

The total lease expenditure commitments above include input tax credits of \$0.280 million that are expected to be recoverable from the ATO (30 June 2011: \$0.268 million).

26 Contingent Assets and Liabilities

At reporting date, there were no significant contingent assets or liabilities incurred in the normal course of business (2011: Nil).

Financial statements *continued*

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2012

27 Related Party Transactions

The directors and other members of key management personnel of Landcom during the year were:

(i) Specific Directors

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

*William Kirkby-Jones, AM	Chairman Term Expired 31 December 2011
*John Brogden	Chairman Appointed 25 January 2012
Sean O'Toole	Managing Director
*Neil Bird AM	Term Expired 31 December 2011
Robyn Clubb	
*Kim Cull	Term Expired 18 August 2011
Bonita Boezeman	
Robert Hamilton	

(ii) Specific Executives

Greg South	Chief Operating Officer
Mick Owens	General Manager Development
Kerry Robinson	General Manager Development
*Michael Burt	General Manager Development Resigned 12 January 2012
Stuart McCowan	General Manager Development
*Richard Wood	General Manager Development Appointed 4 October 2011
Rob Sullivan	General Manager Corporate Marketing
Michael Brodie	General Manager Finance & IT

The compensation of each member of the key management personnel of Landcom is set out below:

(iii) Compensation of key management personnel paid during the financial year

2012	Short-term employee benefits			Post employment benefits		Other long-term benefits	Termination benefits	Total
	Salary & Fees \$'000	At risk paid \$'000	Other \$'000	Superannuation \$'000				
Directors								
*William Kirkby-Jones	55	-	1	-	-	-	-	56
*Neil Bird	41	-	-	3	-	-	-	44
*John Brogden	35	-	-	3	-	-	-	38
*Kim Cull	9	-	-	1	-	-	-	10
Robyn Clubb	63	-	-	6	-	-	-	69
Bonita Boezeman	68	-	-	6	-	-	-	74
Robert Hamilton	63	-	-	6	-	-	-	69
Executives								
Sean O'Toole	393	47	8	39	-	-	-	487
Greg South	279	29	5	31	-	-	-	344
Mick Owens	243	29	2	24	-	-	-	298
Kerry Robinson	234	25	11	26	-	-	-	296
Stuart McCowan	241	27	2	16	-	-	-	286
*Richard Wood	154	-	-	11	-	-	-	165
*Michael Burt	131	43	1	12	104	-	-	291
Rob Sullivan	231	26	6	16	-	-	-	279
Michael Brodie	228	16	-	18	-	-	-	262
Total compensation	2,468	242	36	218	104	-	-	3,068

Financial statements *continued*

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2012

27 Related Party Transactions (continued)

(iii) Compensation of key management personnel paid during the financial year (continued)

2011	Short-term employee benefits			Post employment benefits	Other long-term benefits	Termination benefits	Total
	Salary & Fees	At risk paid	Other	Superannuation			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Directors							
William Kirkby-Jones	121	-	3	-	-	-	124
Neil Bird	75	-	-	8	-	-	83
Kim Cull	59	-	-	5	-	-	64
Robyn Clubb	47	-	-	6	-	-	53
Madeline Dermatossian	36	-	-	6	-	-	42
Bonita Boezeman	15	-	-	-	-	-	15
Robert Hamilton	14	-	-	-	-	-	14
Executives							
Sean O'Toole	379	44	7	38	-	-	468
Greg South	273	27	14	29	-	-	343
Mick Owens	234	28	8	23	-	-	293
Kerry Robinson	226	24	2	25	-	-	277
Stuart McCowan	227	26	3	15	-	-	271
Michael Burt	226	26	2	21	-	-	275
Rob Sullivan	223	25	9	15	-	-	272
Michael Brodie	198	-	-	17	-	-	215
Total compensation	2,353	200	48	208	-	-	2,809

The remuneration of directors is determined by the remuneration committee with due regard to the Statutory and Other Officers Remuneration Tribunal (SOORT) recommendations on payments to Directors. In regards to the remuneration of key executives, our governance process is for the remuneration committee to receive recommendations from the Managing Director as to base remuneration and At Risk payments, consider and then approve or request variations. In determining the levels of remuneration, the remuneration committee and the Managing Director have regard to the performance of individuals, Landcom's performance as an entity against annual targets, and market trends.

The payment of At Risk components to Specific executives is initially based on a set proportion of each executive's base remuneration. This amount is then apportioned between the performance of Landcom against its financial targets (75%) and the performance of the executive against specific operational targets set for that executive (25%). Payment of the At Risk component is made after the financial statements of Landcom have been audited.

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

There are no outstanding balances relating to any key management personnel.

There have been no guarantees provided or received for any key management personnel.

Financial statements *continued*

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2012

28 Events After Reporting Period

There have been no material post Statement of financial position events which would require disclosure or adjustments to the 30 June 2012 Financial Statements.

29 Segment Information

In 2012 and 2011 Landcom operated in one business segment, and one geographical segment. Consequently, a segment report for 2012 and 2011 has not been reported.

End of Financial Statements

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Corporate directory

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

Landcom's office at Newcastle is 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.

Please send your comments to
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