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LACHLAN'S LINE
MACQUARIE PARK



UrbanGrowth NSW

Annual Report 2016

Vy Nguyen, Development Director, Lachlan's Line.



Construction at OVO, Green Square.

Ministers' letter

31 October 2016

The Hon. Gladys Berejiklian MP

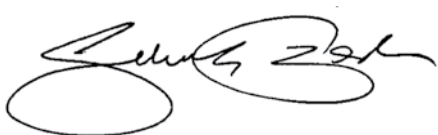
Treasurer
52 Martin Place
Sydney NSW 2000

The Hon. Dominic Perrottet MP

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

Dear Treasurer and Minister,

We are pleased to submit to you, for presentation to the Parliament of New South Wales, the Annual Report for the year ended 30 June 2016. 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 AM
Chairman



Karen Penrose
Director

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The Bays Precinct, Sydney.

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Chairman's review



On behalf of the Board and staff of UrbanGrowth NSW, I am pleased to present the Annual Report for 2016.

UrbanGrowth NSW continues the legacy of Landcom, started 40 years ago to proudly lead the urban and housing transformation of Sydney and NSW.

In the past year the NSW Government has focused its policy and planning activities on meeting the challenges of Sydney's growth- accommodating an increasing population, improving quality of life and driving economic growth. This underscores the importance of UrbanGrowth NSW's work. It also strengthens the mandate that governs us, with the Ministerial Priorities and our urban transformation activities supporting the goals set out in the government's metropolitan strategy, *A Plan for Growing Sydney*.

Effective implementation of this plan is central to Sydney's functioning as a global city. UrbanGrowth NSW has a vital delivery role in accelerating housing supply and the need for high levels of amenity to create strong and resilient communities within a highly liveable and connected city.

In FY16 UrbanGrowth NSW has undertaken a variety of tasks furthering these priorities. Our projects are now structured into geographical portfolios to better align with the growth agenda for Western Sydney, a focus on CBD programs, in addition to a separate portfolio for our program at The Bays Precinct.

We have significantly progressed our transition from greenfields development with a number of major programs such as One Minto and The Ponds successfully closed out. These achievements help further align our resources to focus on our major urban transformation and infill programs.

In line with the organisation's core business model, we also master planned, de-risked and divested superlots to further accelerate housing supply in targeted growth areas, particularly in Sydney's Southwest and Northwest.

This resulted in material progress in home site production against the four year 20,000 target set by government in March 2015. In FY16 project sales accounted for the supply of approximately 6,500 new homes, which brings our total to more than 10,000 homes released within 16 months – well ahead of schedule. This success reflects the unique role that UrbanGrowth NSW plays in utilising public funds to leverage and direct much larger private sector investment in urban development and housing supply for NSW.

In this Annual Report we highlight the solid progress in the planning or delivery of the urban transformation programs. This is particularly evident at projects like Newcastle city centre, Green Square, Parramatta Road and Lachlan's Line at Macquarie Park. This work will enable vibrant new places that are better connected to services, homes and jobs, and play an important role in the sustainable growth of our cities.

This year the growing complexity of our urban renewal projects has also seen increased interaction with the community and government agencies.

The Bays Precinct is symbolic of the massive, exciting and extremely complex projects we will increasingly lead. We have just started the journey on this 20 year project that will create a tech hub for Sydney, and with the rest of the Bays, extend Sydney's reputation as one of the world's most beautiful and exciting cities.

Our activities are self funding through the value-add master planning and de-risking of surplus government land for new places. For the fourth consecutive year UrbanGrowth NSW has met or exceeded our financial targets. Net profit after tax was \$161.2 million.

As ever, our success is very much a team effort. I acknowledge my fellow Directors, the work of our Chief Executive Officer David Pitchford and the staff across the organisation whose daily tasks are contributing to the future of our cities and state.

Yours sincerely,

John Brogden AM
Chairman

Chief Executive Officer's review



This past year we made significant progress in planning, construction and engagement activities across our projects. We also brought a number of strategic superlots to market in growing centres across the state that will deliver vibrant new communities with a range of housing choices and amenities.

Sydney's growth and competitive edge is driven by its economic strength and the opportunities it offers for a unique quality of life in one of the world's great global cities. The NSW Government continues to put in place strategies to ensure these important attributes are not diminished with future growth. Importantly for our organisation, and as alluded to in the Chairman's review, we have a clear role to play in the realisation of the government's goals as Sydney forges ahead.

Accordingly, we have undertaken a number of corporate initiatives to further align with these government priorities. These include assembling our projects into a series of relevant portfolios to drive growth in critical areas, continuing the transition from greenfields projects to focus on urban transformation outcomes, and the release of superlot sites to accelerate housing supply.

Within the Western Sydney Portfolio, we successfully brought to market a range of project sales such as Thornton, Edmonson Park Town Centre, Lachlan's Line and the southwest portfolio. These releases will deliver a range of new housing options and jobs in strategic locations and allow for the reinvestment of funds in a range of urban transformation programs across the state.

Also within our Western Sydney Portfolio, and aligned with the government's goal of growing greater Parramatta as the city's second CBD, we are proud to have received the approval of the rezoning application at Parramatta North. This lays foundation for work to begin on what will become a vibrant, mixed used precinct home to approximately 6,000 new residents in years to come.

Key milestones were also achieved in our CBD and The Bays Precinct project portfolios. Highlights include the topping out of our first residential building at Green Square, receiving approval for a revised rezoning application at Newcastle's East End, and securing the master developer role for the White Bay Power Station.

Our organisation continued to collaborate with communities, industry and government to not only inform and consult, but also to build a shared understanding of the opportunities and constraints of our city-shaping programs. This work has not been without its challenges. As the master developer of complex urban transformation projects, it is our role to address market failure and recommend to government the best balance between sometimes divergent interests of stakeholders.

Extensive public consultations were carried out on our proposals in transit-oriented programs such as Newcastle, Parramatta Road and Central to Eveleigh. We also participated in a range of industry briefings to provide clarity on our role, our programs' activities, and their alignment with the government's urban development objectives.

We also proudly broadened our engagement activities to include formally the university sector, by establishing a framework agreement with six leading universities. The agreement, as announced by the Minister for Planning, recognised that collaboration between government and the university sector is critical to the delivery of innovative approaches to urban transformation within NSW. It will also provide benefit to universities by offering shared learning experiences for students and academics across faculties.

Internally, we continued our focus on building world class capability, processes and governance to support the planning and delivery of programs aligned with the government's investment in infrastructure. We introduced a new procurement framework, recruited staff across a range of disciplines, and introduced skills development programs. We also refined our design directorate, a platform which provides independent assessment and quality control advice to the design propositions put forward by UrbanGrowth NSW's management and project teams.

As always, I offer my sincere thanks to our staff for their outstanding effort shown throughout the year. Their dedication, passion and commitment to living our values each day give the organisation a broader reach and scope of achievement than our size would suggest.

Our focus in the next 12 months will be continuing to deliver against our mandate through the planning and delivery of urban transformation programs, replete with community amenity, leading sustainability outcomes and urban design. We will continue to refine our strategic position within government and industry, and deliver fantastic outcomes for the people of Sydney and NSW.

Yours sincerely,

David Pitchford CBE LVO
Chief Executive Officer

Board of Directors

During the year, two vacancies on the board were filled.



John Brogden AM
Chairman, appointed January 2012

John Brogden is currently the Managing Director and Chief Executive Officer of the Australian Institute of Company Directors.

Prior to this, John was CEO of the Financial Services Council from 2009 to 2015. He has also been CEO of Manchester Unity and 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 the Chairman of Lifeline Australia, Furlough House Retirement Village and The Broken Bay Institute. John is also the patron of Sailability Pittwater, Bilgola Surf Lifesaving Club, Avalon Beach Surf Lifesaving Club, and Kookaburra Kids.

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



Robert Hamilton
Appointed February 2011

Robert Hamilton's career spans more than 50 years in the property industry. 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.

Over the course of his career Robert has been involved in a number of major urban renewal projects throughout Australia and NSW, including Walsh Bay and the Olympic Village. He has also overseen the development of more than 25,000 residential dwellings as well as many commercial office buildings, shopping centres, hotels and industrial complexes.

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

Robert is a qualified real estate valuer, a Fellow of the Australian Property Institute, and a member of the Real Estate Institute of Australia. In 2016, Robert was inducted into the Property Council of Australia Hall of Fame for his sustained leadership and the outstanding legacy provided to the property industry and Australian community.



Suzanne Jones

Appointed June 2016

Suzanne Jones brings to the Board expertise in infrastructure planning and development, environment and sustainability, and organisational transformation and business growth. She has held senior executive roles involving strategic planning, major project delivery, public-private partnerships and stakeholder management, both with the NSW Government and in the private sector.

Suzanne is currently the Chair of Dial Before You Dig, the founding Chair of Waste Aid Ltd, and a Director of the University of New England Partnerships Pty Ltd. She is also a member and former Chair of the NSW National Parks and Wildlife Council and a committee member of the Australian Astronomical Observatory. Suzanne's previous directorships include TransGrid, the NSW Public Transport Authority, Parramatta Rail Link Company Pty Ltd, Newcastle Urban Renewal and Transport, the Illawarra Regional Information Service and Garrigal Housing.

Suzanne is a Fellow of the Australian Institute of Company Directors and a member of the Planning Institute of Australia. She holds a Bachelor of Town Planning with honours from the University of NSW, a Master of Business Administration from the University of Rochester, New York, and has undertaken a business leadership course at Harvard.



Ken Maher

Appointed December 2014

Ken Maher is an architect, landscape architect and urban design advocate. He is a former Executive Chairman of HASSELL, Australia's largest international multidisciplinary design practice.

Ken is currently a HASSELL Fellow and a Professor of Practice in the Faculty of Built Environment at the University of NSW. He is also a Director of the Australian Institute of Architects Foundation, CRC for Low Carbon Living, and IBL Limited. He is Chair of the City of Sydney's Design Advisory Panel, and a member of the Sydney Opera House Eminent Architects Panel and the Transport for NSW Urban Domain Reference Group.

Ken is the National President, a Director and a Life Fellow of the Australian Institute of Architects, and President of the Australian Sustainable Built Environment Council. He is also a Fellow of the Australian Institute of Landscape Architects, the Australian Property Institute, and the Green Building Council of Australia. Ken holds a Bachelor of Architecture with first-class honours, a Masters of Architecture, a Graduate Diploma of Landscape Design, and a Graduate Diploma of Environmental Studies. In 2009, Ken was awarded the Australian Institute of Architects Gold Medal.



Gai McGrath

Appointed June 2016

Gai McGrath has an extensive background in highly regulated, large-scale businesses over a career spanning 30 years. She spent 12 years at Westpac Banking Group, most recently leading Westpac Australia's Retail Banking business. She also led the Retail Banking business for Westpac New Zealand, and the Customer Service business and Risk Solutions team for BT Financial Group. Prior to joining Westpac, Gai was the General Counsel and Company Secretary of Perpetual Ltd.

Gai is currently a Director of IMB Bank, Genworth Mortgage Insurance Australia Limited and Toyota Finance Australia Limited. She is a member of the Council of the State Library of NSW, a Director and Trustee of the State Library of NSW Foundation and a member of The Salvation Army's Territorial Appeals and Fundraising Committee.

Gai is a graduate of the Australian Institute of Company Directors and has completed the INSEAD Business School International Executive Program. She also holds a Masters of Laws (Distinction) from the London School of Economics and Political Science at the University of London, and a Bachelor of Laws (Hons) and a Bachelor of Arts from the University of Sydney.



Karen Penrose

Appointed August 2014

Karen Penrose has more than 30 years business experience across finance, property and resources, including 20 years with Commonwealth Bank and HSBC and eight years as a Chief Financial Officer with two publicly listed companies. She was a Council member of Chief Executive Women (CEW) for six years from 2009 and continues her involvement as a member of the Advisory Panel for the CEW Leaders Program in Australia and Singapore. She participated in the Australian Israel Chamber of Commerce Women Leaders Trade Mission to Israel in May 2016.

Karen is a full time Non-Executive Director and currently a Director of Bank of Queensland, AWE Limited, Vicinity Centres, Spark Infrastructure Group and Future Generation Global Investment Company Limited (pro bono role). She is a former Director of Novion Limited and Silver Chef Limited. Karen holds a CPA and Bachelor of Commerce (NSW) and is a Graduate Member of the Australian Institute of Company Directors.



Matthew Quinn

Appointed August 2013

Matthew Quinn was the Managing Director of Stockland from 2000 to 2013. Matthew's management career with Stockland spanned 12 years, and he has an extensive background in commercial, retail, industrial and residential property investment and development.

Matthew is a Non-Executive Director of CSR Ltd, and Class Super and Chairman of Carbonxt Group Ltd. He is actively involved in education initiatives for disadvantaged students, and is a Director of the Australian Business and Community Network Scholarship Foundation.

Matthew is a Chartered Accountant and a Fellow of the Australian Property Institute and the Royal Institute of Chartered Surveyors. He has a first-class honours degree in Chemistry and Management Science from Imperial College, London.

Corporate Management Team



David Pitchford CBE LVO
Chief Executive Officer

David was appointed Chief Executive Officer of UrbanGrowth NSW in September 2013. David oversees the direction and ambition of the organisation, and interfaces with Portfolio Ministers and the Board. He has more than 35 years' experience as the head of public and private organisations.

In 2007 David was General Manager of Palm Jumeirah City in Dubai, one of the world's most ambitious development projects. His most recent role was as the Executive Director and Head of Profession, Project Management, for the United Kingdom's Major Projects Authority.

David began his career in the Office of the Tasmanian Governor and then moved into Chief Executive Officer roles with the Australian Centenary of Federation and the City of Melbourne. He was also Chief Operating Officer of the 2006 Melbourne Commonwealth Games.

David has been recognised as a Commander of the Order of the British Empire (CBE) and a Lieutenant of the Royal Victorian Order (LVO).



Julian Frecklington*
Chief Operating Officer

Julian joined UrbanGrowth NSW in January 2013 as Head of Strategy and was appointed Chief Operating Officer in April 2015.

Julian is responsible for establishing the strategy for UrbanGrowth NSW, and for building the organisational capabilities and funding platform to deliver it.

Julian has more than 15 years' experience in the real estate sector and a diverse background in strategy, property and law. He has worked for a number of Australia's leading developers including Stockland and Multiplex Brookfield, and has held senior management positions in funds management, business development and project delivery.

Julian has also worked as a Finance Lawyer at Clayton Utz and as a Strategy Consultant at Bain & Company. Julian holds a Bachelor of Engineering (Honours 1), Bachelor of Laws, Masters of Business Administration and is a Graduate Member of the Australian Institute of Company Directors.

**Left position September 2016.*



Matthew Beggs
Head of Western Sydney Projects Portfolio

Matthew Beggs was appointed Head of Western Sydney Projects Portfolio in November 2015, and oversees the organisation's greenfields development activities. Matthew has 30 years of experience in the property and development industry, with extensive experience in the planning and delivery of large development projects, major property transactions, business development and relationship management.

Matthew joined UrbanGrowth NSW in 2002 as part of the Business Development Team, before moving into Urban Development in 2005 where he worked on the One Minto and Oran Park Town projects. He was appointed as General Manager Development Retail in 2014.

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

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



Michael Brodie
Chief Financial Officer

Michael joined UrbanGrowth NSW in March 2010 as the Chief Financial Officer and manages the finance, risk, IT, procurement, and business service functions. Michael is an experienced CFO with more than 25 years of senior financial and commercial experience in investment, aged care and property development organisations.

Michael previously held senior finance positions including National Manager Property Finance at Woolworths Ltd, DCA Aged Care and RG Capital.

Michael has a Bachelor of Economics, and a Graduate Certificate in Financial Planning. He is also a Chartered Accountant and a Graduate Member of the Australian Institute of Company Directors.



Steve Driscoll*
Acting Head of CBD Projects Portfolio

Steve joined UrbanGrowth NSW in July 2004 and was appointed Acting Head of CBD Projects in January 2016, where he is responsible for overseeing the delivery of several major projects within the urban transformation portfolio.

Steve has 25 years' experience across the property and government sectors, working for state and local government organisations including Blacktown City Council, the Department of Planning and Environment and UrbanGrowth NSW. Steve's most recent role was as General Manager, UrbanGrowth NSW Development Corporation. He has also previously worked in sustainability, project planning and town planning roles at a senior management level.

Steve has a Bachelor of Town Planning (Honours 1; University Medal) from the University of NSW.

**Appointed to the role permanently in September 2016.*



Paul Hedge
Acting Head of Bays Portfolio

Paul joined UrbanGrowth NSW in 2010 and was appointed Acting Head of The Bays Precinct Urban Transformation Program in 2016. Paul is responsible for overseeing the strategy development, planning, implementation, delivery, and stakeholder engagement for the program.

Paul has more than 25 years' experience working in the property and engineering sectors in senior management positions. He has led the rezoning and development of a number of large mixed-used development programs for listed and private sector development organisations including General Manager NSW for the Macquarie Bank development companies, Medallist and Urban Pacific.

Paul has a Bachelor of Engineering (Civil) from the University of Technology, Sydney.



Jillian Khoo
General Counsel

Jillian was appointed as General Counsel in January 2015. Jillian is the organisation's key legal adviser.

Jillian has worked across multiple Australian jurisdictions and a variety of real estate sectors. She has a strong background in project-specific financing, development and joint ventures, with expertise in managing a variety of internal and external stakeholders including government.

Jillian spent eight years with Australand, most recently as the National Head of Legal Services for the Residential Division, and previously as the General Manager Legal – Corporate. She worked at Mallesons Stephen Jacques (now King and Wood Mallesons) for nine years, specialising in structured property finance, capital partnerships and development. Jillian holds a Bachelor of Laws and a Bachelor of Arts (Politics).



John Richmond
General Manager, Commercial Management and Business Development

John joined UrbanGrowth NSW in April 2015 as General Manager, Commercial Management.

John leads the Commercial Management and Business Development functions of UrbanGrowth NSW, and works across acquisitions, project commercialisation, investment reviews, business strategy and capital transactions.

John has 15 years of experience in the property industry spanning architecture, property development and investment banking. John spent nine years as a Lead Real Estate Equities Analyst at Credit Suisse and Merrill Lynch, and also worked at Stockland as a Development Manager and on acquisitions.

John holds a Masters of Business Administration, a Bachelor of Architecture, and is a member of the Assets and Finance Committee for the not-for-profit group Achieve Australia.



Lisa Rippon-Lee
Head of Communications and Stakeholder Engagement

Lisa joined UrbanGrowth NSW in March 2014 and is responsible for corporate affairs and stakeholder engagement, working to position the organisation as the lead government agency in the delivery of urban transformation projects. Lisa is an experienced communications and corporate marketing professional and has spent more than 20 years in corporate affairs.

Lisa has worked in a range of multinational corporations across many industry sectors, stakeholder groups, markets, languages, and cultures. Lisa's previous roles have included senior positions in communications and corporate affairs at Glencore Xstrata, Lend Lease and The Nielsen Company.



David Tow*
Head of Strategy

David was appointed Head of Strategy at UrbanGrowth NSW in December 2015. David has more than 25 years' experience in the implementation of major urban development and infrastructure projects in Australia and Asia. Most recently David held the role of Executive Director – Cities for the NSW Department of Premier and Cabinet.

David's prior positions include Asia Pacific COO for Snowy Mountains Engineering Corporation, focussed on the delivery of urban development and transport infrastructure projects for agencies including the World Bank and Asian Development Bank; CEO of a small investment business supporting renewable energy projects; and Project Director for large urban planning and development projects including the Port Moresby and Kuala Lumpur Master Plans.

David has a Bachelor of Town Planning (Hons) and a Masters of Public Policy.

*Left position in September 2016.



Simone Westcott
General Manager, Human Resources

Simone was appointed as General Manager, Human Resources in September 2012. Simone has more than 15 years' experience in human resources spanning a number of industries including hospitality, financial services and property.

Simone commenced her human resources career with Stamford Hotels before transitioning into the property industry and working at Jones Lang LaSalle for seven years in roles including Associate Director, HR. In 2007, Simone was at ING Real Estate as Head of Human Resources, a position that encompassed the development, commercial banking and investment management businesses.

Simone has proven experience in a range of human resources disciplines including strategy, change management, business restructuring, payroll transition, and recruitment and selection. Simone has a Diploma of Human Resource Management.



Victoria White*
General Manager, Business Assurance

Victoria was appointed General Manager, Business Assurance in March 2014. Victoria's role is to position the organisation to be a centre of excellence for portfolio and project planning, development, delivery, governance and collaboration.

Victoria was most recently a General Manager at Infrastructure Australia, where she collaborated with state and federal governments and the private sector to identify and assess multibillion-dollar infrastructure projects. She also prepared the National Infrastructure Plan and was responsible for delivering the National Infrastructure Priority List.

Victoria has held senior advisory roles at the NSW Department of Premier and Cabinet and Infrastructure NSW, and moved to Sydney to manage Sydney Water's capital investment program from 2005 to 2009. She has a Bachelor of Engineering (Chemical), a Masters of Business Administration, a Masters of Economics and a Graduate Diploma in Environmental Studies.

*Currently on secondment.

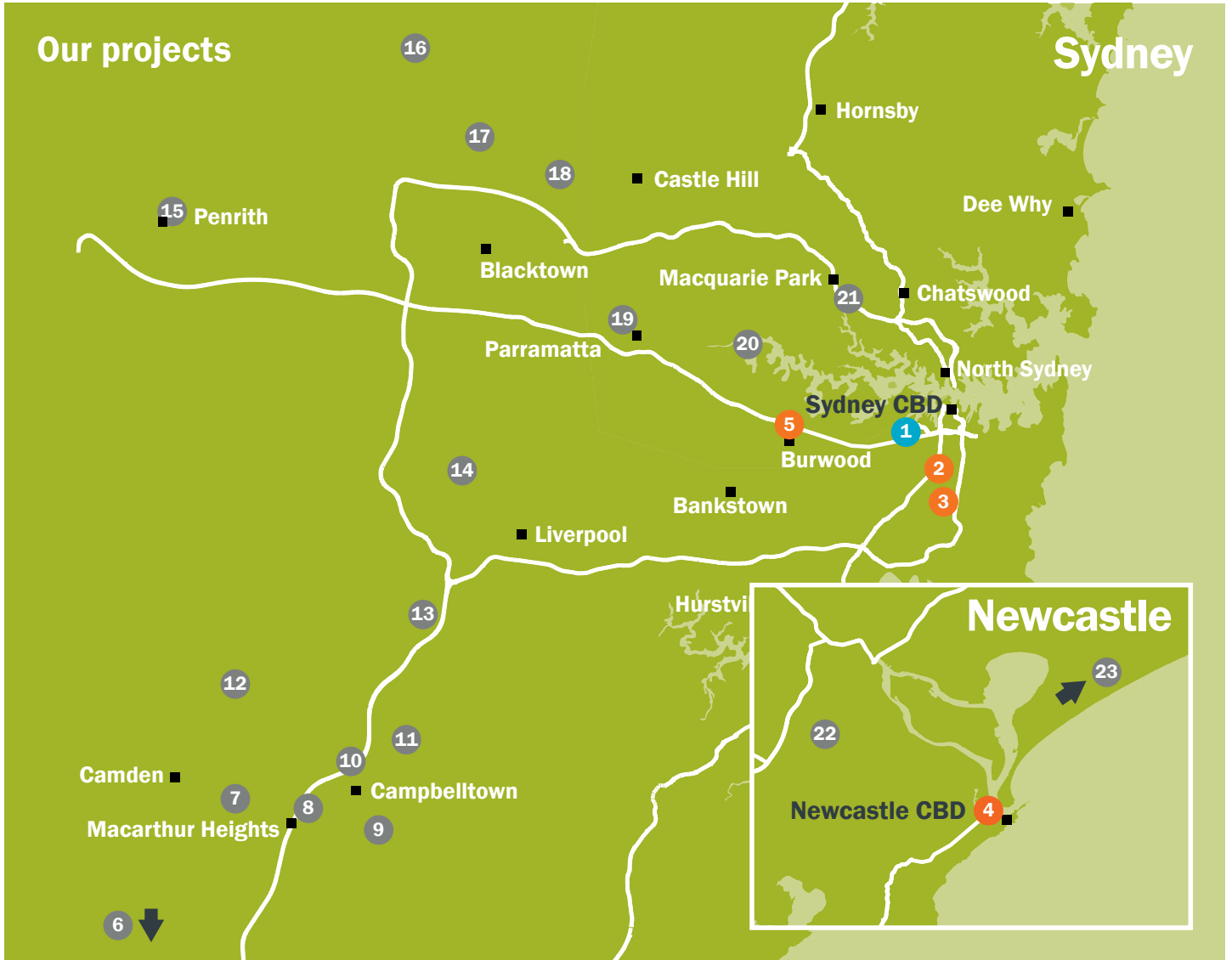
The following Corporate Management Team members left the organisation during the reporting period.

Peter Anderson*
Head of Wholesale Projects
*Left position September 2015.

Simon Pagett*
Head of Urban Transformation Division
*Left position April 2016.

Robert Sullivan*
Head of Retail Transition
*Left position July 2015.

Our organisation



The Bays Precinct

- 1. The Bays Precinct Sydney Urban Transformation Program

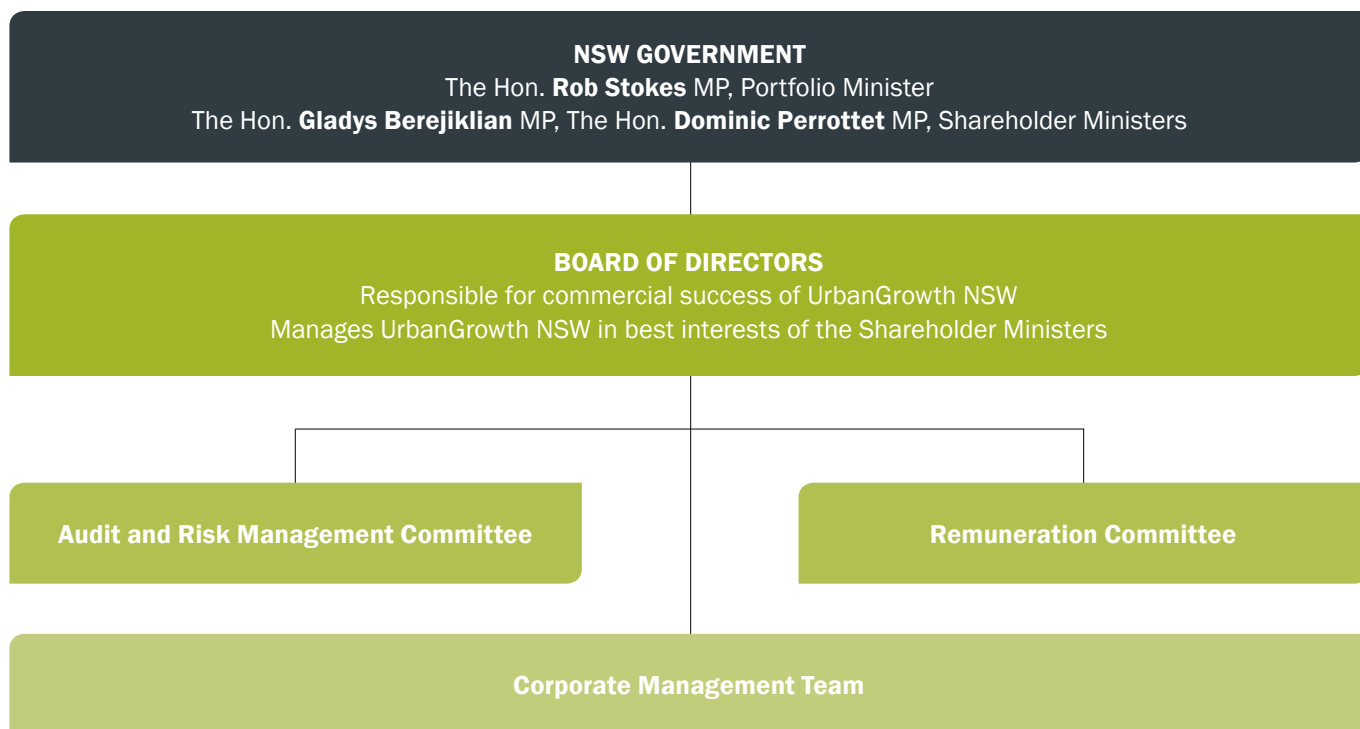
CBD Project Portfolio

- 2. Central to Eveleigh Urban Transformation and Transport Program
- 3. Green Square Town Centre
- 4. Newcastle Urban Transformation and Transport Program
- 5. Parramatta Road Urban Transformation Program

Western Sydney Project Portfolio

- 6. Renwick
- 7. East Village
- 8. Macarthur Heights
- 9. Newbrook
- 10. Hillcroft
- 11. One Minto
- 12. Oran Park Town
- 13. Edmondson Park
- 14. Newleaf
- 15. Thornton
- 16. Riverstone
- 17. The Ponds
- 18. Sydney Metro North West Urban Transformation Program
- 19. Parramatta North Urban Transformation Program
- 20. The Peninsula
- 21. Lachlan's Line
- 22. Sanctuary
- 23. Vantage

Our governance structure



Ochre Lawson, Artist, in her Sydney studio. Ochre has created public art sculptures for Lachlan's Line and Edmondson Park.



FY15/16 highlights

\$69.1 million

Returned to the NSW
Government (tax equivalent
payments)

\$161.2 million

Net profit after tax

\$658 million

Sales revenue

6,463 dwellings

Equivalent sales released
under the 20k home site
program



Highlights of this year's achievements

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The Bays Precinct Sydney	28





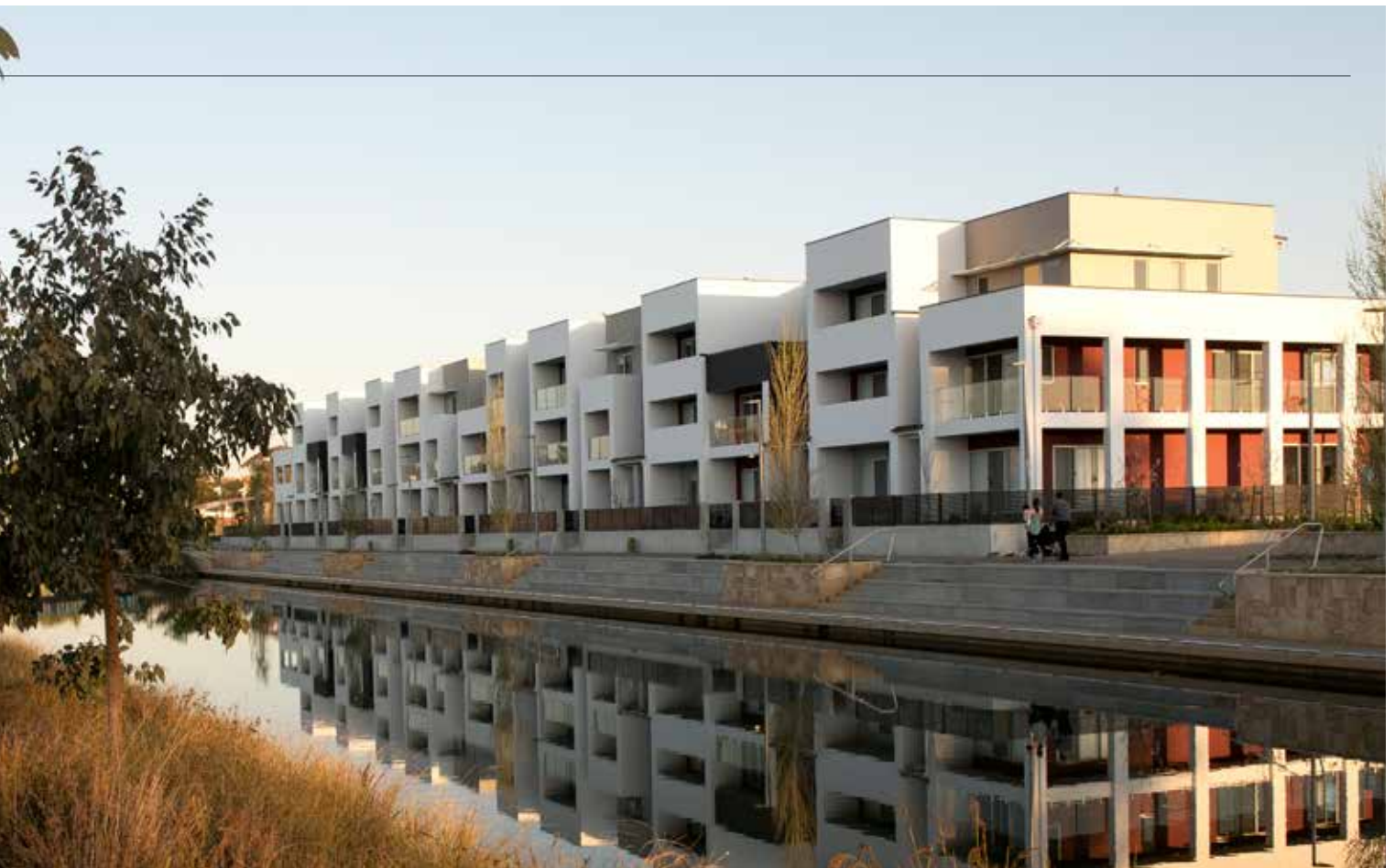
Lachlan's Line.



Thornton, Penrith.

Western Sydney Projects Portfolio

Our Western Sydney Projects Portfolio contains a broad range of projects that will deliver housing choice, community infrastructure and economic investment in strategic locations. These projects also support the government's vision to secure Western Sydney as the key driver of Sydney and NSW's future productivity.



Delivering infrastructure and bringing sites to market

Resolving complex issues, securing cooperation across government and de-risking opportunities for private sector investment to create vibrant, well-connected places are fundamental parts of our role. On this front we achieved a range of critical milestones in the year across the Western Sydney portfolio.

At Thornton, we are pleased to have completed the construction of a new public plaza connecting it to Penrith Station and CBD. We also secured sales on all remaining apartment superlots, including one for affordable housing. The project continued to be recognised as an industry benchmark, receiving a number of awards from peak industry bodies including the Urban Development Institute of Australia (UDIA). Thornton's award for Excellence in Government Leadership for Urban Development reflects the shared vision of UrbanGrowth NSW and Penrith City Council to overcome traditional planning barriers and deliver a landmark project.

At Lachlan's Line near Macquarie Park, we settled the station precinct, executed the mixed-use precinct sale and released an expression of interest (EOI) for the next stage of development including a component of affordable housing. Civil works are well underway, providing the necessary lead-in infrastructure such as roads, services, parks and public art for a vibrant town centre which will soon commence construction. In the future, Lachlan's Line will offer modern urban living with approximately 2,700 homes and more than 5,000 residents living in close proximity to train and bus transport.

At the Peninsula at Wentworth Point, we are the development manager for Roads and Maritime Services, managing a major land disposal and the development of maritime facility concepts. This is a strategic revitalisation project identified in *A Plan for Growing Sydney*. During the year we made solid progress, having conducted an international expression of interest campaign as part of a formal two-stage

government disposal process. We also received approval by the Joint Regional Planning Panel for infrastructure, a public school and rowing club. When completed, the precinct will have delivered approximately 2,300 new residential dwellings.

At Edmondson Park, we continued our coordination role of precinct and infrastructure planning, and we entered into sales contracts for the mixed-use town centre, which will comprise a retail and commercial area, community facilities and open space. Construction started on a childcare centre and we secured early construction of two bridges in the town centre, aligned with delivery of the train station.

Increasing housing supply through land development

During the year we continued to progress and finalise outcomes in long term land development programs that commenced under the Landcom mandate.

At The Ponds in Sydney's Northwest, we are particularly pleased to have closed out Stage 4 with the completed construction of two pocket parks and sale of 10 residual housing lots.

In March we achieved a significant milestone with a successful landowner ballot in the Riverstone Scheduled Lands Precinct. The owners voted overwhelmingly in support of a proposed development plan that will enable the subdivision of their existing lots and deliver essential infrastructure and services. As the development coordinator, UrbanGrowth NSW created a new development plan and incorporated the planning changes from the housing diversity package that allows for a variety of lots ranging in size from 300m² to 500m².

In our Macarthur projects in partnership with Western Sydney University, we gained council approval for a 108-lot subdivision at Renwick, and conditions were met for the settlement of the first site at Spring Farm with AV Jennings. At Macarthur Heights, we gained council approval for Stage 4 subdivision of 342 lots. We also commenced Stage 3 bulk earthworks and civil works, and executed a voluntary planning agreement with council and Western Sydney University.

The level of sales activity at Oran Park Town with development partner Greenfields Development Company was matched by our significant progress in delivering facilities that will underpin the new community. In the year we completed and opened the \$5 million Brabham Reserve Sporting Complex. We also opened the Smart Work Hub as well as an integrated primary health-care centre, and development applications were lodged for a further \$29 million worth of community facilities. Oran Park Town is the first stage of development in

the Southwest growth corridor and will become the geographical centre of the Camden local government area.

Vibrant mixed-use precincts in transit and economic corridors

In line with our expanded mandate, UrbanGrowth NSW is delivering transformation programs that are vitally linked to the government's investment in transit-oriented corridors and strategic economic centres.

As part of the NSW Government's strategy to establish a well-connected second CBD in greater Parramatta, we have been directed to transform and revitalise 30ha of government land holdings at Parramatta North. The precinct is home to some of the state's, and indeed Australia's, most-important heritage locations and assets. Parramatta North will become a vibrant, mixed-use place with heritage conservation at its core, and home to approximately 6,000 new residents.

Macarthur Heights.



Oran Park Smart Work Hub.



During the year the Department of Planning and Environment approved our revised application to rezone the precinct, and we also finalised the procurement for the commencement of urgent heritage restoration works on six buildings.

UrbanGrowth NSW is also working to maximise the opportunities on developable government land holdings associated with the \$8.3 billion Sydney Metro Northwest, which is currently under construction and due to open in 2019.

The corridor will be a focus for increased housing, economic activity and social infrastructure, especially around centres with good public transport access and amenity. Over the course of the year, we have spent considerable time building strong relationships with councils, government agencies and business to develop objectives for the corridor's urban transformation strategy.

Government programs to transform communities in need

We were proud to have continued our work with NSW Land and Housing Corporation (LAHC) on the renewal of housing estates for public housing tenants in Sydney's Southwest.

At One Minto we completed 52 homes, dedicated Kyngmount Park to the council and registered the last subdivision plan, marking the end of our engagement with the project. By providing greater housing, socioeconomic diversity and changing the ratio of public housing in the estate from 100% to 30%, this project has transformed Minto, and successfully addressed the issues of poor physical and social environment that troubled this estate in the past.

UrbanGrowth NSW is playing a similar role at nearby Claymore, where we commenced civil works and released the first round of new housing lots to market. At Newbrook in Airds, we executed a voluntary planning agreement to deliver a community centre, open space and bush regeneration. We have also been engaged by LAHC in a similar development management capacity at Bonnyrigg where civil works will commence later in 2016.

Furthermore, our partnership with another government agency, Ageing, Disability and Home Care (ADHC), saw the delivery of 28 new group homes with more than 130 resident beds for people who have a disability.

Newbrook.





East End, Newcastle.



Heritage listed Chief Mechanical Engineer's office, Central to Eveleigh.

CBD Portfolio

Our CBD portfolio comprises large transit-oriented urban infill programs that will enable new housing options, community facilities, and jobs in metropolitan centres. Across this portfolio in the past 12 months we have achieved success in advancing program strategies, public engagement, capital transactions and delivery.

Delivering great places

One of the main goals of urban transformation is the creation of high quality, liveable communities that integrate with their adjoining areas and services. The most advanced of our CBD programs in this regard is Green Square.

Civil works at the site advanced throughout the year with Ebsworth Street (the 'high street') marked for handover to council later in 2016. In partnership with Mirvac, we also made progress on a number of construction outcomes including topping out the Ebsworth building, the first residential tower underway in any of our urban transformation programs. Construction also commenced on the Ovo building, the second major residential development in the town centre, as well as on the bulk civil works of adjoining apartment parcels on the site.



Revitalising Newcastle.

Collaborating with communities and government

Core to our role is building relationships with communities, local government and other government agencies whom we work with to create world class outcomes on sensitive and complex sites.

On this front the Parramatta Road project undertook an extensive engagement program through September and December in 2015 with the display of the corridor's second draft strategy. Some of the activities included sending 22,000 letters to residents, arranging 23 pop-up stalls and conducting more than 500 phone surveys. The results of this activity can be seen in our extensive consultation report. During the year we received an in-principle agreement with the Greater Sydney Commission (GSC) for the Commission to carry the program forward later in 2016.

Another example of our wide-reaching consultation is in Newcastle, where we are continuing to work with the local community to create a revitalised city centre with new light rail and transformation of the former heavy rail corridor. During August and September 2015, a series of 'Revitalising Newcastle' events attracted more than 11,000

participants who provided ideas and feedback on four different opportunities for the corridor's future use. This feedback informed the planning proposal and resulted in the addition of a new program objective to preserve and enhance the heritage and culture of the city centre. An extensive outcomes report was made available through the website.

Cross-government collaboration also allowed UrbanGrowth NSW to achieve an excellent outcome at Waterloo in the Central to Eveleigh corridor. During the year we worked closely with Transport for NSW (TfNSW) and the Department of Housing and Community Services first to gain government agreement for the new metro station, and second, to gain support for the full replacement of all social housing on the Waterloo estate.

Supporting infrastructure investment

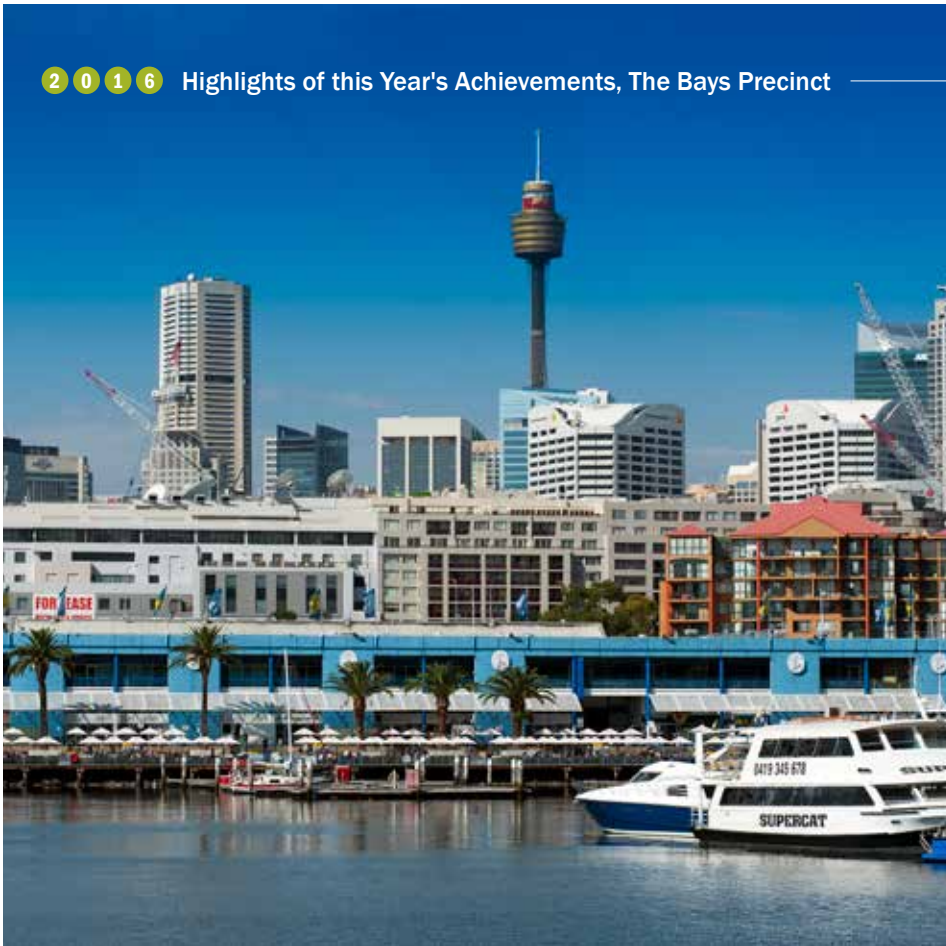
During the year we sold the Australian Technology Park, which sits within the Central to Eveleigh corridor. The UrbanGrowth NSW Development Corporation sold the site to a Mirvac-led consortium to raise funds for the state, while still ensuring a series of excellent public amenity and heritage outcomes for the site. Proceeds from the divestment

will help fund infrastructure upgrades in the Redfern–Waterloo area, providing significant benefits to the local community.

Rejuvenating Newcastle's city centre

Late in 2015 UrbanGrowth NSW and GPT revised the East End planning proposal, which was subsequently approved by the Joint Regional Planning Panel in April 2016. The proposal will be the catalyst for expansion and private investment in Newcastle's city centre, building on the existing dynamics of the East End's inner-city village atmosphere.

While just outside the reporting period, another significant milestone was achieved within the Newcastle program with the preparation and lodgement of a planning proposal for the city's former heavy rail corridor. This planning proposal is to be considered by Newcastle City Council as part of the NSW Government's overarching Newcastle Urban Transformation and Transport Program, a \$500+ million commitment to revitalise the city. This will lay the foundation for the rezoning of surplus land to connect the city to its waterfront and drive jobs, tourism and economic growth in the harbour city.



Sydney Fish Market, Blackwattle Bay.



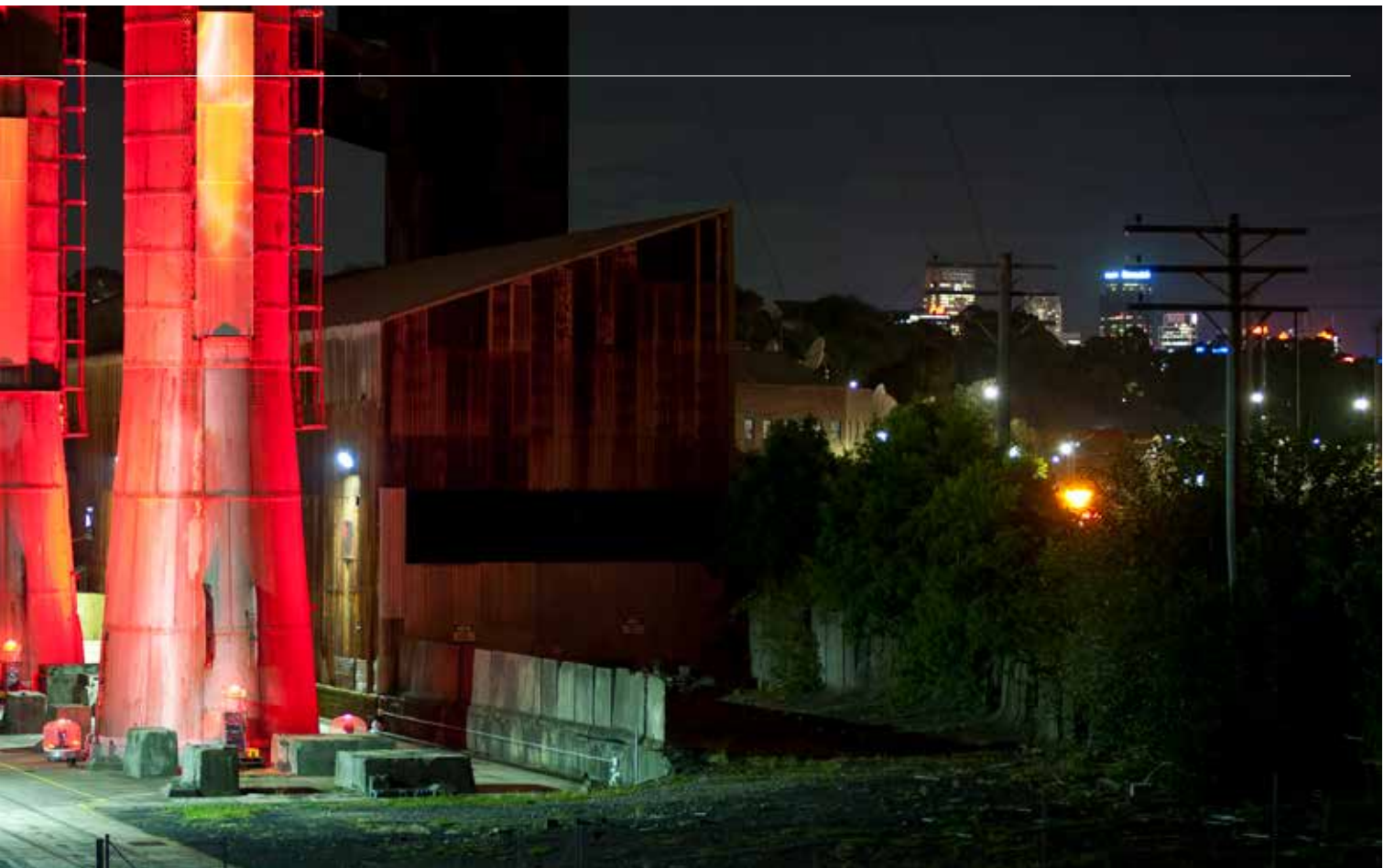
White Bay Power Station.

The Bays Precinct Sydney

UrbanGrowth NSW has been tasked by the NSW Government to lead the transformation of 95 ha of largely government-owned harbour-front land for the economic, cultural and social benefit of Sydney and the state.

Our ambition for the precinct

In October 2015 we launched the Transformation Plan, which marked a new approach in the precinct's evolution, and provides a guiding direction for our activities into the future. The plan built on extensive work from previous governments and the community over the last 15 years. It also incorporated the significant strategic planning and engagement programs managed by UrbanGrowth NSW, including the Call for Great Ideas, which attracted more than 200 submissions.



Transforming White Bay Power Station

Also in October, the organisation undertook a request for proposals for the transformation of the White Bay Power Station. The four-month global campaign resulted in 13 submissions from around the world. While some proposals were strong in certain areas, there were no complying proposals that addressed the evaluation criteria to achieve the NSW Government's plan for the site. UrbanGrowth NSW will now assume the role of master developer. The site will be master-planned and broken into smaller parcels of land as part of a staged development to attract a diverse range of tenants who will align with the government's agenda.

Progressing the Bays Market District

During the year we worked closely with the Sydney Fish Market, and secured its formal agreement to work with us through a memorandum of understanding on the complex task of

a redevelopment program. The Sydney Fish Market is already one of the most popular attractions in Sydney. With rejuvenation, the locality can become a key tourist destination for the NSW visitor economy while also acting as a gateway to the future Bays Precinct.

We also progressed the planning process of Stage 1 of the Waterfront Promenade and integration with Wentworth Park. The rezoning process for the Sydney Fish Market district will continue through 2017, with a view to commencing construction on the new market facility in 2018.

Collaboration with stakeholders

We continued to work closely with our government partners identified through The Bays Precinct project collaboration agreement, as well as with other agencies with an interest in the precinct. We have established a series of regular forums to facilitate this including The Bays Precinct Executive Coordination Group (Transport) and The Bays Precinct Design Directorate.

Relationships forged through the International Summit continued to inform our thinking, with experts such as Joe Berridge (Waterfront Toronto) and Michael Lynch (West Kowloon Cultural District Authority) contributing to a number of strategic planning workshops.

In December 2015 we established The Bays Precinct Reference Group through an open expression of interest process. The group has 41 members, including industry peak bodies, special interest organisations and local businesses and residents.

We also commenced The Bays Precinct open forum program with a combination of information sessions, markets and street stalls in the local area every quarter. This program builds awareness of the transformation program and provides local residents with an opportunity to get involved.

Looking ahead to FY16/17

Organisational objectives:

Substantially progress our commitment to deliver 20,000 home sites by 2019.

Meet our 2017 sustainability targets.

Meet our financial targets as outlined in our Statement of Corporate Intent.

Maintain our safety record of zero serious injuries.

Objectives for our major projects:



White Bay Power Station.

The Bays Precinct

Substantially progress the White Bay Power Station and Bays Market District destinations.



Chippendale, Central to Eveleigh.

Central to Eveleigh/ Waterloo

Commence rezoning at Waterloo.



Construction works, Green Square.

Green Square

Practical completion of Ebsworth and secure an anchor retail tenant for the Green Square Town Centre.



Rail Corridor, Newcastle.

Newcastle

Commence development works in the Newcastle rail corridor.



Recreation Hall, Parramatta North.

Parramatta North

Commence heritage repair and lodge development applications (DAs) for public domain works.



Parramatta Road, Leichhardt.

Parramatta Road

Transfer Parramatta Road to the Greater Sydney Commission to commence rezoning.



Sydney Metro Northwest. Indicative artist impression only. Subject to change.

Sydney Metro Northwest

Progress the urban transformation of government-owned land surrounding station precincts.



The Lake Neighbourhood Centre, The Ponds

Corporate activities

Our charter and function

UrbanGrowth NSW, a trading name of Landcom, is a state-owned corporation operating under the *Landcom Corporation Act 2001*.

Our ambition is to 'transform city living' by creating world-class urban areas that are vibrant, connected, competitive and resilient places to live and work. We act as the master developer on complex urban transformation projects, which contain government land and support critical infrastructure and economic clusters.

The NSW Government has established five key priorities for UrbanGrowth NSW as it undertakes its tasks, as listed below.

Ministerial statement of priorities

- 1 Drive increases in the supply of housing and jobs.
- 2 Strengthen the NSW economy by delivering world-class centres that attract investment and boost productivity.
- 3 Optimise public investment in infrastructure through integrating land use and transport planning.
- 4 Operate on a commercially astute basis, seeking a fair return for taxpayers.
- 5 Promote public sector innovation through collaborating across government, the private sector and the community in the delivery of the portfolio.

Principal objectives

Our principal objectives under the Landcom Corporation Act:

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

Board of Directors, meetings and committees

Board of Directors

Under the *Landcom Corporation Act 2001* and the constitution, the Board consisted of seven Directors. During the year, two vacancies on the Board were filled. The Directors are appointed by the Governor of NSW on the recommendation of the Shareholder Ministers and after consultation with the Portfolio Minister.

During the reporting period, the Directors were:

- Mr John Brogden AM | Chairman
- Mr Robert Hamilton
- Ms Suzanne Jones (appointed 22 June 2016)
- Mr Ken Maher
- Ms Gai McGrath (appointed 22 June 2016)
- Ms Karen Penrose
- Mr Matthew Quinn

The gender breakdown for the Board at the start and end of the reporting period was:

	1 July 2015	30 June 2016
Female	20%	43%
Male	80%	57%
Total	100%	100%

The Board's role and responsibilities are documented in its Charter. This sets out the duties, independence and ethical standards, and expectations of individual Directors, including procedures for declaring conflicts of interest.

The Board determines the composition and membership of its committees. Each committee sets, reviews and updates its terms of reference, which are reviewed and approved by the Board.

Board meetings

The Board customarily meets on a monthly basis, and holds additional meetings as required. The number of meetings attended by each Director during the reporting period, and the number of meetings each Director was eligible to attend, were as follows:

Director	Board meetings attended	Board meetings eligible to attend
Mr J Brogden AM	11	13
Mr R Hamilton	13	13
Ms S Jones*	-	-
Prof K Maher	12	13
Ms G McGrath*	-	-
Ms K Penrose	13	13
Mr M Quinn	13	13

* Ms Jones and Ms McGrath were appointed as directors on 22 June 2016.

Committee meetings

Directors participated in two committees during the reporting period, the membership of which is reviewed annually. Directors' membership of the committees at the end of the reporting period was as follows:

Audit and Risk Management Committee:

Ms Karen Penrose | Chair
Mr Ken Maher
Mr Matthew Quinn

Remuneration Committee:

All Directors

Measuring performance

We consider ourselves successful if we meet our goals as outlined in our Ministerial statement of priorities (see page 33).

Board performance review

The Board periodically reviews its performance to determine the extent to which it has met its responsibilities under its charter and to identify opportunities for continual improvement. The review may also encompass the performance of the Board's committees and of individual Directors.

The Board will approve a process for the review, which may include its scope, performance measures (qualitative or quantitative), and whether to engage an independent consultant to conduct the review. The Board plans a formal review of its performance to be undertaken in the next period.

Performance management system

Performance management is a highly collaborative process between an employee and manager, with a shared accountability for success.

There are three sections to the UrbanGrowth NSW Performance Management and Performance Development Plan process.

1. **Performance Review**
The Performance Review process is designed to assess individual performance against agreed KPIs.
2. **Key Performance Indicators (KPIs)**
KPIs provide the framework through which employees and managers can identify and agree on performance objectives going forward.
3. **Performance Development Plan (PDP)**
A PDP helps identify key strengths and development opportunities to build on skills, experience and knowledge.

Risk management and insurance

Risk management

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

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

- ensured the Board, Chief Executive Officer, senior managers, and all staff have made a commitment to risk management
- enhanced the integration of risk management processes within our business processes
- assigned risk management responsibilities within the organisation
- reviewed our risk management framework to continually improve our processes and ensure they provide clear, consistent methodology and reporting tools.

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

- regular Board reviews of risks to the organisation
- an internal audit program supported by reviews by independent certifiers
- reviews of the financial capacity of our partners.

The Board's Audit and Risk Management Committee consists of non-executive Directors and is attended by management representatives as well as independent experts and observers. The committee regularly considers risk matters arising from internal and external audits as well as independent assessments of performance against our Environmental Management System.

Business continuity

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

Our Business Continuity Framework is regularly reviewed to improve our processes and to ensure that we have the resources and capability to respond to an event that could disrupt our business. Our framework includes the identification of critical business processes, the identification of scenarios that could disrupt our business, business continuity recovery plans and periodic testing of recovery plans.

Insurance

The NSW Treasury Managed Fund provides our insurance cover. This fund is based on the principles of self-insurance, and prioritises the implementation of sound risk management practice. The self-insurance scheme is administered by 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.

We completed our FY16/17 Renewal Declarations for the Treasury Managed Fund in December 2015 and all policies have been renewed for the current policy period. We are currently in the process of arranging the renewal of policies for the upcoming policy period.

Public access to information and the protection of privacy

Government Information (Public Access) (GIPA Act) – Formal access applications

During the reporting period, 10 formal access applications under the *Government Information (Public Access) Act 2009* (GIPA Act) were received. One of these applications was originally invalid but became valid after the applicant complied with the formal requirements under section 41 of the GIPA Act.

The processing period in the GIPA Act allowed for one application received in FY14/15 to be carried forward into FY15/16. The processing period also allowed for the three decisions received in FY15/16 to be extended into FY16/17.

In FY15/16, eight applications were decided as follows.

- One application was granted in full.
- One application was refused in full and one application was partly refused because the application was for the disclosure of information referred to in schedule 1 of the GIPA Act.
- Six applications were partly refused because:
 - some of the information was not held
 - some of the information was already publicly available, or
 - there were overriding public interest considerations against disclosure of some of the information (as listed in the section 14 table).

The following tables contain statistical information on formal access applications received in FY15/16.

Table A | Number of applications by type of applicant and outcome¹

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Media	0	0	0	0	0	0	0	0
Members of Parliament	1	0	0	0	0	0	0	0
Private sector business	0	2	1	0	1	0	0	0
Not-for-profit organisations or community groups		1	1	1	0	0	0	0
Members of the public (application by legal representative)	0	0	0	0	0	0	0	0
Members of the public (other)	0	2	1	0	2	0	0	0

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)	1	5	3	1	3	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)	1
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	1
Invalid applications that subsequently became valid applications	1

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

	Number of times consideration used ²
Overriding secrecy laws	0
Cabinet information	2
Executive Council information	0
Contempt	0
Legal professional privilege	0

1. 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.

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

	Number of times consideration used ²
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

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	8
Law enforcement and security	0
Individual rights, judicial processes and natural justice	1
Business interests of agencies and other persons	7
Environment, culture, economy and general matters	0
Secrecy provisions	0
Exempt documents under interstate Freedom of Information legislation	0

Table F | Timelines

	Number of applications
Decided within the statutory timeframe (20 days plus any extensions)	4
Decided after 35 days (by agreement with applicant)	4
Not decided within time (deemed refusal)	0

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

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

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

	Number of applications for review
Applications by access applicants	3
Applications by persons to whom information the subject of access application relates (see section 54 of the Act)	0

2. 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.

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

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

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

During the year, UrbanGrowth NSW:

- considered the formal access applications received
- considered all informal applications received
- determined that there were no particular additional categories of information that were being regularly or repeatedly requested in the formal applications
- consulted with our staff about information and categories of information that are frequently requested – this consultation occurred through attendance at team meetings, GIPA briefings and updates
- discussed with the Right to Information Officers of other state-owned corporations the categories of information that they proactively release.

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

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

Privacy

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

Our privacy management plan is based on 12 information protection principles of the PPIP Act, which establish standards for using personal information. These are:

- **PRINCIPLE 1 (section 8 PPIP Act)**
Collection of personal information for lawful purposes
- **PRINCIPLE 2 (section 9 PPIP Act)**
Collection of personal information directly from the individual
- **PRINCIPLE 3 (section 10 PPIP Act)**
Requirements when collecting personal information
- **PRINCIPLE 4 (section 11 PPIP Act)**
Other requirements relating to collection of personal information
- **PRINCIPLE 5 (section 12 PPIP Act)**
Retention and security of personal information
- **PRINCIPLE 6 (section 13 PPIP Act)**
Information about personal information held by agencies
- **PRINCIPLE 7 (section 14 PPIP Act)**
Access to personal information held by agencies
- **PRINCIPLE 8 (section 15 PPIP Act)**
Alteration of personal information
- **PRINCIPLE 9 (section 16 PPIP Act)**
Agency must check accuracy of personal information before use
- **PRINCIPLE 10 (section 17 PPIP Act)**
Limits on use of personal information
- **PRINCIPLE 11 (section 18 PPIP Act)**
Limits on disclosure of personal information
- **PRINCIPLE 12 (section 19 PPIP Act)**
Special restrictions on disclosure of personal information.

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

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

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

or by emailing:
righttoinfo@urbangrowth.nsw.gov.au or enquiry@urbangrowth.nsw.gov.au

PUBLIC INTEREST DISCLOSURES ACT 1994

The following table contains information about our obligations under section 31 of the *Public Interest Disclosures Act 1994* (NSW).

Section 31 Report

	Made by public officials performing their day to day functions	Under a statutory or other legal obligation	All other PIDs
Number of public officials making a public interest disclosure	0	0	0
Number of public interest disclosures we received relating to:	0	0	0
i. Corrupt conduct	0	0	0
ii. Maladministration	0	0	0
iii. Serious and substantial waste of public money	0	0	0
iv. Government information contraventions	0	0	0
v. Local government pecuniary interest contraventions	0	0	0
Total	0	0	0
Number of public interest disclosures we finalised		1	
Whether we have a public interest disclosures policy in place		Yes	
Action taken by us to ensure that our staff awareness responsibilities under s 6E(1)(b) of the Act have been met	Staff briefings and training at inductions and team meetings and portfolio updates, intranet notice introducing updated PID and Internal Reporting Policy		

Legal events

Lachlan's Line – defending a review of a GIPA Act decision sought by Meriton

On 5 April 2016 Meriton filed an application at the NSW Civil & Administrative Tribunal, seeking a review of UrbanGrowth NSW's GIPA decision. The proceedings are ongoing.

Hunter Development Corporation v Save Our Rail Court of Appeal Proceedings

In December 2014, UrbanGrowth NSW facilitated Hunter Development Corporation's participation and funded the cost of litigation after proceedings were commenced against the Transport for NSW (TfNSW) and the Hunter Development Corporation (HDC) by the Save Our Rail group against the closure of the Newcastle to Sydney heavy rail line. Save Our Rail sought to challenge the government's authority to remove heavy rail infrastructure between Newcastle and Wickham without an Act of Parliament. The Supreme Court ruled that the NSW Government needed to pass an Act of Parliament but TfNSW and HDC appealed. The Court of Appeal handed down its judgment on 10 November 2015, finding in favour of TfNSW and the NSW Government parties and ordered Save Our Rail to pay the NSW Government parties' costs.

Save Our Rail have subsequently filed a motion to have the Court of Appeal Decision set aside and a hearing date of 1 September 2016 has been set. They have also filed an application for special leave to appeal to the High Court but it is not expected that submissions will be filed in the High Court application until after the Court of Appeal has determined the motion before it.

Legislative changes

An amendment to the Conveyancing Act 1919 (NSW) became effective from 2 November 2015. The amendments are designed to restrict a vendor's right to rescind a contract if it fails to register a plan of subdivision for residential property by the specified Sunset Date.

The Tax and Superannuation Laws Amendment (2015 Measures No. 6) Act 2015 (Clth), received royal assent in February 2016. The legislation introduced a 10% non-final withholding tax on payments made to foreign residents under contracts to dispose of certain taxable Australian property entered into on or after 1 July 2016. For real property transactions with a market value of \$2 million or above, the purchaser is to withhold 10% of the purchase price unless the vendor provides a clearance certificate from the ATO which confirms that the withholding tax is not to be withheld from the transaction. UrbanGrowth NSW obtained the required clearance certificate from the ATO prior to changes coming in effect on 1 July 2016.

Work health and safety

UrbanGrowth NSW's approach to work health and safety (WHS) is one of continuous improvement. This is achieved through continual enhancement of our WHS Policy, procedures, tools and training and by gathering and sharing our knowledge across the organisation.

Our aim is to develop a culture that encourages all workers to actively manage WHS risks and we have ensured that effective consultation processes are in place to help us identify and address risks proactively to prevent injury and harm to workers.

The WHS Committee, comprising the Chief Operating Officer, Chief Financial Officer, General Counsel, Heads of the CBD and Western Sydney Project Portfolios, Senior Manager Safety and Risk and the, WHS Coordinator, addresses key WHS matters across the project portfolios. In addition, the committee’s role is to review serious incidents and oversee their investigation to prevent recurrence and to identify and respond to emerging trends. The committee also actively promotes awareness of WHS throughout the organisation.

Multicultural Policies and Services Program

Ethnic Affairs Priorities Statement

The NSW Government recognises and values the different linguistic, religious, racial and ethnic backgrounds of all the people in NSW and requires agencies, including UrbanGrowth NSW, to prepare Ethnic Affairs Priorities Statements to recognise multiculturalism.

Our Ethnic Affairs Priorities are delivered through 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 engagement programs.

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

Over the past year, program facilitators made contact with more than 1,500 households in nine new housing developments. The Ponds, One Minto and Potts Hill developments have the highest proportion of CALD residents (for example, in The Ponds, more than 50% of the population was born overseas). Our initiatives to assist community members and bring different community groups together included culturally themed welcome events, Harmony Day events, culturally appropriate catering and employing staff from CALD backgrounds.

Harmony Day events were held in March 2016 as part of our programs in Blacktown, Campbelltown and Camden. These celebrated each community’s diversity and multiculturalism. 38% of Blacktown residents and 28% of Campbelltown residents were born overseas (ABS 2011).

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

Our communications and stakeholder engagement staff provide guidance to project teams on community engagement. We also have a Stakeholder Consultation Workbook that suggests ways to engage members of ethnic minority groups, including the provision of interpreters and written translation services.

We prepare promotional materials and engagement activities for our residential developments which include information about the availability of interpreter and translation services. We display posters detailing the Department of Immigration and Multicultural Affairs’ translating and interpreting services in our sales offices. Where appropriate, marketing campaigns for individual projects target specific CALD groups identified through market research as potential purchasers.

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

Ethnic Affairs Initiative	Key result area
Develop and implement stakeholder consultation plans	Social Justice [1.9 Planning for Cultural Diversity]
Provide information about interpretive and translation services in all relevant UrbanGrowth NSW marketing and sales material	Social Justice [1.7 Access to Interpreters and Translators]
Use ABS census data to identify languages spoken by emerging communities in UrbanGrowth NSW projects	Social Justice [1.7 Access to interpreters and translators]
CALD community based organisations actively encouraged to tender for the delivery of UrbanGrowth NSW Welcome Programs in new estates	Social Justice [1.9 Planning for Cultural Diversity]
Identify strategies to increase participation by CALD residents in UrbanGrowth NSW Welcome Programs	Social Justice [1.9 Planning for Cultural Diversity]
Develop strategic partnerships with CALD community based organisations for delivery of Community Development initiatives in UrbanGrowth NSW estates	Community Harmony [2.1 Community Development]

Strategies/ tasks	Responsibility	Resources/ budget	Performance indicators	Report 2015-2016	Goals for 2016-2017
Provide consultation opportunities at project planning stages, via Welcome Programs or Community Development activities	Head of Communications and Stakeholder Engagement	Division budget	100% of projects	100% of current projects implemented community consultation activities	100% of current projects to report on implemented community consultation activities
Review current marketing and sales material for appropriate information	Head of Communications and Stakeholder Engagement	Marketing budget	Review completed (timeliness)	Translating and interpreting services information provided in all sales offices. Interpreters used for specific community meetings	Provide references to translation and interpreting services in marketing and community information
Arrange for access to interpretive and translation services at Community Development and Community Engagement events and activities	Head of Communications and Stakeholder Engagement	Project budgets	Annual review of ABS census data (timeliness)	Census and project survey data reviewed for UrbanGrowth NSW projects to identify major CALD Communities	Initiate a minimum of one Community Development project or event in each Welcome Program that addresses the needs and interests of identified CALD groups
Facilitate information sessions prior to the expressions of interest process (EOI), outlining the role and benefit of UrbanGrowth NSW Welcome Programs	Head of Communications and Stakeholder Engagement	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 UrbanGrowth NSW Welcome Programs at Minto and Macarthur Heights	Encourage CALD community based organisations to tender for delivery of UrbanGrowth NSW Welcome Programs in projects with anticipated high percentage of CALD residents
Undertake consultation with CALD residents in established UrbanGrowth NSW communities	Head of Communications and Stakeholder Engagement	Marketing and/or project budgets	Consultation undertaken with CALD residents and strategies included in project based community activities (timeliness)	Harmony Day and cultural activities delivered in UrbanGrowth NSW projects with a high percentage of CALD families and young people (Minto, The Ponds, Potts Hill and Edmondson Park)	Plan and deliver specific initiatives for CALD families and young people in Welcome and Community Development programs
Invite CALD organisations to submit proposals for Community Development initiatives in UrbanGrowth NSW estates	Head of Communications and Stakeholder Engagement	Division budget	Partnerships established and maintained	Macarthur Diversity Services Inc delivered a range of Community Development initiatives (playgroups, environmental education) in UrbanGrowth NSW Minto and Macarthur Heights projects	Continue to develop partnerships that enable Community Development programs to better address the needs of CALD residents in UrbanGrowth NSW communities

Workforce diversity performance

Workforce diversity

In FY15/16, we undertook the following initiatives:

- Forty skills development workshops were held for all staff to attend, a leadership development program was launched for senior staff, and ongoing coaching and mentoring has been offered.
- The organisation became a member of the Diversity Council Australia, attending diversity events and seminars to broaden our knowledge and networks.
- The 2016 Graduate Program was launched with seven graduates commencing in February. The graduates will develop critical capabilities, practical experience, appropriate behaviours and leadership insight, as well as build an in-depth understanding of the organisational operations. The program involves four rotations over a two year period, across a number of projects.
- A review of workstation requirements for staff with disabilities requiring work-related adjustments was undertaken as part of a new office environment.

Planned outcomes for FY16/17

The following initiatives are planned for FY16/17.

- Resource and succession planning will be conducted with a focus on diversity across all levels and roles.
- Salary benchmarking will be undertaken to identify any pay equity issues.
- New learning & development programs will be launched covering leadership, performance, governance, diversity and inclusivity.

Parliamentary Annual Report tables

Trends in the representation of workforce diversity groups

Workforce diversity group	Benchmark/ target	2014	2015	2016
Women	50%	47.1%	47.3%	48.8%
Aboriginal people and Torres Strait Islanders	2.6%	0.0%	0.0%	0.0%
People whose first language spoken as a child was not English	19.0%	21.3%	17.9%	20.2%
People with a disability	N/A	3.4%	2.9%	2.4%
People with a disability requiring work-related adjustment	1.5%	0.6%	0.5%	0.4%

Trends in the distribution of workforce diversity groups

Workforce diversity group	Benchmark/ target	2014	2015	2016
Women	100	84	88	91
Aboriginal people and Torres Strait Islanders	100	N/A	N/A	N/A
People whose first language spoken as a child was not English	100	93	94	93
People with a disability	100	N/A	N/A	N/A
People with a disability requiring work-related adjustment	100	N/A	N/A	N/A

Note 1: A Distribution Index of 100 indicates that the centre of the distribution of the Workforce Diversity group across salary levels is equivalent to that of other staff. Values less than 100 mean that the Workforce Diversity group tends to be more concentrated at lower salary levels than is the case for other staff. The more pronounced this tendency is, the lower the index will be. In some cases the index may be more than 100, indicating that the Workforce Diversity group is less concentrated at lower salary levels.

Note 2: The Distribution Index is not calculated where Workforce Diversity group or non-Workforce Diversity group numbers are less than 20.

Addressing discrimination in the workforce

UrbanGrowth NSW does not tolerate discrimination in the workplace. We have the following measures in place to educate staff and address issues.

- All new employees are inducted on their first day on matters relating to employment conditions, workplace practices and policies which include fair treatment, grievance procedures, anti-bullying and harassment.
- Senior managers receive training in leadership skills, including performance development and effective communication skills.
- All staff attend anti-bullying and harassment training with refresher training conducted every one to two years.
- Our policies and procedures provide clear guidelines for a discrimination-free environment.
- Staff surveys are conducted to enable open and honest feedback on topics including discrimination.
- An employee assistance program is in place to provide staff with external support and advice if required.
- Any issues raised by staff are considered as a matter of priority and appropriate action is taken.

NSW Government Action Plan for Women

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

- providing extensive professional development opportunities through training programs, mentoring, coaching and internal/external networking events
- ensuring flexible working arrangements including job share, working from home, inter-office work locations and part time employment
- promoting achievements via the performance management process, reward and recognition program and internal communications.

Our guarantee of service

Code of Conduct

UrbanGrowth NSW places paramount importance on integrity, probity and the promotion of a positive and responsive attitude. The Code of Conduct supports these values and is issued with the full support of the UrbanGrowth NSW Board and the Chief Executive. The Code of Conduct provides an ethical framework for the way in which we conduct our business and contains a set of general business ethics. It applies to all staff members, directors, contractors, consultants and agency staff engaged by UrbanGrowth NSW.

New employees are required to sign an acknowledgement form which accompanies the Code to confirm that they understand our ethics standards. Existing employees are asked to reaffirm their understanding of the Code on each and every occasion they log into UrbanGrowth NSW's IT systems, and also whenever amendments are made to the Code of Conduct.

Implementing our values

To deliver our important mandate of creating great destinations that will transform Sydney, NSW and Australia, we need a strong and cohesive working environment where we treat each other with respect and hold each other to the highest standards. This is all part of our culture of excellence that is built on our core values of 'Visionary', 'Courageous', 'Collaborative' and 'Accountable'.

To help guide us in living our values, a set of supporting behaviours were developed through an inclusive and extensive research process comprising surveys, focus groups and analysis. The values are integrated and promoted in all areas of our working life including:

- Performance management process
- Employee awards
- Learning & Development programs
- Internal communications (intranet, brochures, employee packs).

Complaints and feedback system

We welcome feedback from all stakeholders and have policies and procedures in place to guide staff on their responsibilities if a compliment or complaint is made relative to our products, services and conduct. We also provide advice to our customers and stakeholders on how to submit feedback and the procedures we follow if they choose to submit it. Senior management reviews complaints to determine if there is cause to implement corrective or preventative action. The majority of complaints are dealt with within seven days.

This year, an increased number of complaints were received compared to the previous reporting period (77 complaints compared to 31 in FY14/15, see table below). We received complaints about our construction, marketing and sales activities.

Complaints register

Category of complaint	2015-2016 Number of complaints	2014-2015 Number of complaints
Design	6	6
Environment	3	5
Marketing/sales	63	12
Miscellaneous	5	8
Total	77	31

Procedures for shareholder and employee consultation and feedback

We have procedures for our Portfolio and Shareholder Ministers to provide recommendations, feedback or direction to the Board and senior management. The Portfolio Minister provides a statement of priorities for the Board which the Board considers in preparing the corporate plan. Members of senior management meet with the Portfolio Minister regularly to discuss progress against corporate objectives and Shareholder Ministers are also invited to discuss corporate performance.

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

Executive positions

Total remuneration for senior executives is calculated as the sum of the cost of employment, including contributions to a superannuation scheme by UrbanGrowth NSW and novated lease payments for a motor vehicle, where such an option has been exercised. The Chief Executive Officer's performance is reviewed on a half yearly basis by the Chairman, who reports the outcome of his review to the Remuneration Committee. The Chief Executive Officer reviews the performance of each of the Division Heads on a half yearly basis with the findings from the annual review reported to the Remuneration Committee.

Band	2016		2015	
	Female	Male	Female	Male
Band 4 (Secretary)	0	1	0	1
Band 3 (Deputy Secretary)	2	5	2	5
Band 2 (Executive Director)	1	1	2	1
Band 1 (Director)	0	0	0	0
Totals	3	7	4	7
	10		11	

Band	Range	Average Remuneration	
		2016	2015
	\$	\$	\$
Band 4 (Secretary)	441,201 - 509,750	546,326	533,000
Band 3 (Deputy Secretary)	313,050 - 441,200	382,558	380,000
Band 2 (Executive Director)	248,851 - 313,050	304,681	297,250
Band 1 (Director)	174,500 - 248,850	0	0

10.96 % of UrbanGrowth NSW employee related expenditure in 2016 was related to senior executives, compared with 11.52 % in 2015.

Miscellaneous activities

Promotion

During the reporting period our promotional activities increased awareness and encouraged public participation and comment that will contribute to our projects. Activities to encourage public participation included:

- letterbox drops and direct mail
- pop-up stalls at markets, shopping centres and railway stations
- direct emails
- Facebook, Twitter and website updates
- advertising including print, online, outdoor and radio
- advertising in foreign language newspapers
- engagement opportunities promoted at public and stakeholder meetings.

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

- maintaining, creating and enhancing websites
- advertising
- fact sheets, information booklets and other print collateral.

Information concerning our corporate activities was communicated to stakeholders through the Annual Report FY14/15 on our website: www.urbangrowth.nsw.gov.au

Funds granted to non-government community organisations

During the year UrbanGrowth NSW provided a sponsorship in the amount of \$55,000 to Renew Newcastle, a not-for-profit city revitalisation organisation established to find short and medium term uses for buildings in Newcastle's CBD that are currently vacant, disused, or awaiting redevelopment. The donation assisted with meeting the company's ongoing cost of operations. For more information on the partners and operations of Renew Newcastle, please visit www.renewnewcastle.org

Production cost of Annual Report

The Annual Report FY15/16 was produced in-house to minimise costs. The total cost of production, including photography and printing, is estimated at approximately \$5,000.

Consultancies

We spent approximately \$652,000 in the reporting period on consultants. These engagements were to support the strategic planning of our project and corporate initiatives.

Overseas visits

One staff member travelled with Knight Frank to Kuala Lumpur and Singapore from 14 to 16 December 2015 as part of Knight Frank's approved Developer Roadshow briefings for White Bay Power Station. The cost was approximately \$7,900.

One staff member undertook overseas travel at an approximate cost of \$7,900. This related to a Program Director participating in the AusTrade 'Australia Week in China' Innovation Workstream from 11 to 15 April 2016.

Four staff members participated in The University of Sydney - Future Cities Collaborative US and Australia city exchange in Innovation Ecosystems program from 4 to 13 May 2016. The cost of this involvement was approximately \$110,000.

One staff member undertook overseas travel during the reporting period at an approximate cost of \$28,000. This related to a Harvard Business Leadership Course from 26 March to 3 April 2016, and inspection of the Boston innovation district for our Bays program and Glebe Island Business Case.

All trips were approved in accordance with the UrbanGrowth NSW Travel and Business Expenses Policy.

Disclosure of approved exemptions

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

Statutory Requirements

Annual reporting exemptions	Act/Regulation references	Comments
<p>Budgets:</p> <ul style="list-style-type: none"> Detailed budget for the year in review Outline budget for next year Particulars of material adjustments to detailed budget for the year in review. 	<p>s.7(1) (a) (iii) Annual Reports</p> <p>(Statutory Bodies) Act 1984</p> <p>cl. 7 Annual Reports (Statutory Bodies) Regulation 2015</p>	
Report of operations		
<p>Summary review of operations:</p> <ul style="list-style-type: none"> Narrative summary of significant operations Selected financial and other quantitative information associated with the administration of programs or operations. 	<p>Schedule 1 Annual Reports</p> <p>(Statutory Bodies) Regulation 2015</p>	Exemption subject to a condition that comments and information relating to the “summary review of operations” are to be disclosed in a summarised form.
<p>Management and activities:</p> <ul style="list-style-type: none"> Nature and range of activities Measures and indicators of performance Internal and external performance reviews Benefits from management and strategy reviews Management improvement plans and achievements Major problems and issues Major works in progress, cost to date, estimated dates of completion and cost overruns Reasons for significant delays etc to major works or programs Research and development: <ul style="list-style-type: none"> completed research including resources allocated continuing research and development activities, including resources allocated unless that information could adversely affect operations. 	<p>Schedule 1 Annual Reports</p> <p>(Statutory Bodies) Regulation 2015</p>	Exemption subject to a condition that comments and information relating to “management and activities” are to be disclosed in a summarised form.
<p>Human resources:</p> <ul style="list-style-type: none"> Number of employees by category and comparison to prior three years Exceptional movements in employee wages, salaries or allowances Personnel policies and practices Industrial relations policies and practices. 	<p>Schedule 1 Annual Reports</p> <p>(Statutory Bodies) Regulation 2015</p>	Schedule 1 Annual Reports (Statutory Bodies) Regulation 2010
<p>Consultants:</p> <ul style="list-style-type: none"> For each engagement costing more than \$50,000: <ul style="list-style-type: none"> name of consultant title of project actual cost. For each engagement costing less than \$50,000: <ul style="list-style-type: none"> total number of engagements total cost. If applicable, a statement that no consultants were engaged. 	<p>Schedule 1 Annual Reports</p> <p>(Statutory Bodies) Regulation 2015</p>	Exemption subject to a condition that the total amount spent on consultants is to be disclosed along with a summary of the main purposes of the engagements.

Statutory Requirements

Annual reporting exemptions	Act/Regulation references	Comments
<p>Land disposal:</p> <ul style="list-style-type: none"> Properties disposed of during the year: <ul style="list-style-type: none"> total number total value If value greater than \$5 million and not by public auction or tender: <ul style="list-style-type: none"> list of properties for each case, name of person who acquired the property and proceeds from disposal. Details of family or business connections between the purchaser and the person responsible for approving the disposal Statement giving reasons for the disposal Purpose/s for which proceeds were used Statement indicating that access to the documents relating to the disposal can be obtained under the Government Information (Public Access) Act 2009. 	<p>Schedule 1 Annual Reports</p> <p>(Statutory Bodies) Regulation 2015</p>	
<p>Consumer responses:</p> <ul style="list-style-type: none"> Extent and main features of complaints Services improved/changed in response to complaints/suggestions. 	<p>Schedule 1 Annual Reports</p> <p>(Statutory Bodies) Regulation 2015</p>	Exemption subject to a condition that comments and information relating to “consumer responses” are to be disclosed in a summarised form.
<p>Payment of accounts:</p> <ul style="list-style-type: none"> Performance in paying accounts, including action to improve payment performance. 	<p>Schedule 1 Annual Reports</p> <p>(Statutory Bodies) Regulation 2015</p>	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.
<p>Time for payment of accounts:</p> <ul style="list-style-type: none"> Reasons for late payment Interest paid due to late payments. 	<p>Schedule 1 Annual Reports</p> <p>(Statutory Bodies) Regulation 2015</p>	As above.
Report on risk management and insurance activities	<p>Schedule 1 Annual Reports</p> <p>(Statutory Bodies) Regulation 2015</p>	Exemption subject to a condition that the comments and information are to be disclosed in a summarised form.
<p>Disclosure of controlled entities:</p> <ul style="list-style-type: none"> Details of names, objectives, operations, activities of controlled entities and measures of performance. 	<p>Schedule 1 Annual Reports</p> <p>(Statutory Bodies) Regulation 2015</p>	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	<p>Schedule 1 Annual Reports</p> <p>(Statutory Bodies) Regulation 2015</p>	
Liability management performance	<p>Schedule 1 Annual Reports</p> <p>(Statutory Bodies) Regulation 2015</p>	

Financial statements

for the year ended
30 June 2016



INDEPENDENT AUDITOR'S REPORT

Landcom trading as UrbanGrowth NSW

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Landcom trading as UrbanGrowth NSW (the Corporation), which comprise the statement of financial position as at 30 June 2016, 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.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Corporation as at 30 June 2016, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015
- comply with International Financial Reporting Standards as disclosed in Note 1.2.

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

Basis for Opinion

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

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

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

I have also fulfilled my other ethical responsibilities in accordance with the Code.

The PF&A Act further promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

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

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

Directors' Responsibility for the Financial Statements

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

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

In preparing the financial statements, the directors must assess the Corporation's ability to continue as a going concern unless they intend to liquidate the Corporation or cease operations. The assessment must include, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

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

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

A further description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/Home.aspx>. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Corporation carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented.



Weini Liao
Director, Financial Audit Services

29 August 2016
SYDNEY

LANDCOM TRADING AS URBANGROWTH NSW

DIRECTORS' DECLARATION

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

- (a) The financial statements:
 - (i) exhibit a true and fair view of the financial position of Landcom trading as UrbanGrowth NSW as at 30 June 2016 and of its performance, as represented by the results of its operations and its cash flows for the year ended on that date;
 - (ii) comply with Australian Accounting Standards, AASB Interpretations, the *State Owned Corporations Act 1989*, Treasurer's Directions, the *Public Finance and Audit Act 1983* and the *Public Finance and Audit Regulation 2015*.
- (b) We are not aware of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.
- (c) At the date of this statement, there are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they fall due.

Signed in accordance with a resolution of the Directors:



JOHN BROGDEN
Chairman

26 August 2016
Sydney



KAREN-PENROSE
Director

Statement of comprehensive income

FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2016 \$'000	2015 \$'000
Continuing Operations			
Sales revenue	2(a)	658,065	646,967
Cost of sales		(344,634)	(381,699)
Gross Profit		313,431	265,268
Other revenue	2(b)	15,723	25,877
Finance income	2(c)	7,713	4,560
Marketing and selling expenses	3	(6,283)	(6,730)
Employee related expenses	4	(26,757)	(23,504)
Other operating expenses	5	(71,184)	(78,493)
Depreciation and amortisation expense	6	(1,168)	(1,287)
Finance costs	7	(1,142)	(4,927)
Profit/(loss) on sale of property, plant and equipment		11	934
Profit from continuing operations before income tax equivalent expense		230,344	181,698
Income tax equivalent expense	8	(69,104)	(54,511)
Net profit for the year		161,240	127,187
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Superannuation actuarial gain/(losses) on defined benefit plans	19	(6,681)	(1,943)
Income tax on items that will not be reclassified to profit or loss		2,004	583
Total items that will not be reclassified to profit or loss		(4,677)	(1,360)
Other comprehensive income for the year (net of tax)		(4,677)	(1,360)
Total comprehensive income for the year		156,563	125,827

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

Statement of financial position

AS AT 30 JUNE 2016

	Notes	2016 \$'000	2015 \$'000
Assets			
<i>Current Assets</i>			
Cash and cash equivalents	9	403,995	211,688
Trade and other receivables	10	18,691	16,451
Inventories	11	277,996	238,044
Other current assets	12	4,077	5,388
Total Current Assets		704,759	471,571
<i>Non-Current Assets</i>			
Trade and other receivables	10	6,444	7,995
Inventories	11	287,034	374,822
Property, plant and equipment	13	7,138	3,653
Intangible assets	14	778	338
Deferred tax assets	15	13,902	12,045
Total Non-Current Assets		315,296	398,853
TOTAL ASSETS		1,020,055	870,424
Liabilities			
<i>Current Liabilities</i>			
Trade and other payables	16	125,520	105,780
Borrowings	20	-	27,715
Current tax liabilities	17	28,679	13,399
Provisions	18	121,550	198,097
Total Current Liabilities		275,749	344,991
<i>Non-Current Liabilities</i>			
Trade and other payables	16	47,795	752
Provisions	18	62,832	46,971
Deferred tax liabilities	21	1,138	1,732
Total Non-Current Liabilities		111,765	49,455
TOTAL LIABILITIES		387,514	394,446
NET ASSETS		632,541	475,978
Equity			
Contributed capital		275,847	275,847
Retained earnings		356,694	200,131
TOTAL EQUITY		632,541	475,978

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

Statement of cash flows

FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2016 \$'000	2015 \$'000
Cash flows from operating activities			
Receipts from customers		795,375	736,659
Interest received		7,269	3,954
Payments to suppliers and employees		(446,829)	(427,796)
Income tax equivalent paid		(54,270)	(63,495)
Finance costs		(1,295)	(6,629)
Net cash flows from operating activities	23	300,250	242,693
Cash flows from investing activities			
Payments for property, plant and equipment and intangibles		(5,183)	(513)
Proceeds from sale of property, plant and equipment		101	3,794
Net cash flows (used in)/from investing activities		(5,082)	3,281
Cash flows from financing activities			
Repayment of borrowings		(27,505)	(59,440)
Dividends paid to NSW Treasury		(75,356)	(67,354)
Net cash flows used in financing activities		(102,861)	(126,794)
Net increase in cash and cash equivalents		192,307	119,180
Cash and cash equivalents at the beginning of the year		211,688	92,508
Cash and cash equivalents at the end of the year	9	403,995	211,688

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

Statement of changes in equity

FOR THE YEAR ENDED 30 JUNE 2016

	Contributed capital \$'000	Properties revaluation reserve \$'000	Retained earnings \$'000	Total equity \$'000
Balance as at 1 July 2015	275,847	-	200,131	475,978
Profit for the year	-	-	161,240	161,240
Other comprehensive income				
Superannuation actuarial losses on defined benefit plans	-	-	(6,681)	(6,681)
Income tax relating to components of other comprehensive income	-	-	2,004	2,004
Total other comprehensive income	-	-	(4,677)	(4,677)
Total comprehensive income for the year	-	-	156,563	156,563
Balance as at 30 June 2016	275,847	-	356,694	632,541
Balance as at 1 July 2014	275,847	95	149,565	425,507
Profit for the year	-	-	127,187	127,187
Other comprehensive income				
Superannuation actuarial losses on defined benefit plans	-	-	(1,943)	(1,943)
Income tax relating to components of other comprehensive income	-	-	583	583
Transfer from reserve on disposal of asset, net of tax	-	(95)	95	-
Total other comprehensive income	-	(95)	(1,265)	(1,360)
Total comprehensive income for the year	-	(95)	125,922	125,827
Transactions with owners in their capacity as owners				
Dividends to NSW Treasury	-	-	(75,356)	(75,356)
Balance as at 30 June 2015	275,847	-	200,131	475,978

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

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

REPORTING ENTITY

Landcom trading as UrbanGrowth NSW is a NSW statutory State Owned Corporation established on 1 January 2002 by the *Landcom Corporation Act 2001* (the Act) owned on behalf of the NSW Government by two Shareholder Ministers, currently the Treasurer and the Minister for Finance, Services and Property. Accordingly, the results, financial position and cash flows are included in the NSW Total State Sector Accounts.

The financial statements for the year ended 30 June 2016 have been authorised for issue by the Board on 26 August 2016.

UrbanGrowth NSW undertakes to plan and deliver major urban transformation programs that will underpin the future prosperity of NSW. UrbanGrowth NSW collaborates with government, private, and community stakeholders to create a united vision for a program, build a strong sense of place and enable its delivery. UrbanGrowth NSW maximises the value of government land for the public good, improves the amenity and liveability of urban spaces, and enables the delivery of housing and jobs growth.

UrbanGrowth NSW also provides management services to other government agencies.

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

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

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

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

1.2 Statement of Compliance

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

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

1.3 Revenue Recognition

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

- Sales revenue comprises income from sale of land owned by UrbanGrowth NSW, income from management of the sale of land not owned by UrbanGrowth NSW, 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, using the effective interest rate method.
- Management fees are recognised when there is a right to be compensated for services rendered and it is probable that economic benefits will result and the income can be reliably measured.
- Rental income is recognised in accordance with *AASB 117 Leases* on a straight-line basis over the term of the lease.
- Other income is recognised when there is a right to be compensated for services rendered and it is probable that economic benefits will result and the revenue can be reliably measured.

1.4 Expenditure Recognition

Operating expenses are expensed in the year in which they are incurred. Where they are directly attributable to projects, a proportion is capitalised to inventory (refer to Note 1.8).

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 UrbanGrowth NSW are shown below.

Salaries and annual leave

Liabilities for salaries and annual leave (including non-monetary benefits) that are due to be settled within 12 months after the end of the period in which the employee renders the service are recognised and measured in respect of employees' services up to the reporting date at undiscounted nominal amounts based on the amounts expected to be paid when the liabilities are settled.

Non-vesting sick leave

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

Long service leave

Long service leave is measured at present value in accordance with AASB 119 *Employee Benefits* for all employees with 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 TC15/09 Accounting for Long Service Leave and Annual Leave.

Superannuation

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

UrbanGrowth NSW has an obligation for the defined benefit contribution which becomes payable on and after retirement of staff. Contribution is made to the State Superannuation Scheme (SSS), the State Authorities Superannuation Scheme (SASS) and the State Authorities Non Contributory Superannuation Scheme (SANCS).

The SAS Trustee Corporation through the fund's actuary has determined that unfunded superannuation contributions as at 30 June 2016 for the SASS, SANCS and SSS was estimated at \$28.635 million (2015: \$21.327 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.

Termination payments

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

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

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

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

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

UrbanGrowth NSW 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 2016. No major claims exist under these policies at 30 June 2016.

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

1.7 Leases

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

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

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

UrbanGrowth NSW has operating leases in place in respect of its premises in Sydney CBD, Parramatta, regional office in Newcastle 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 month and 5 years after lease terms expire.

1.8 Capitalisation of Expenses - Development Costs and Cost of Sales

UrbanGrowth NSW charges all direct expenditure on development works to relevant projects. Other administrative overhead is initially charged to and disclosed in the Statement of Comprehensive Income when it is incurred. Some salary charges and related expenses are subsequently capitalised to projects together with other administrative overheads. Employee expenses incurred in respect of development and sales activities are capitalised to inventory when incurred (refer to notes 4 and 11).

1.9 Income Tax Equivalent Expense

UrbanGrowth NSW is subject to notional taxation in accordance with the State Owned Corporation Act 1989. From 1 July 2003, taxation liability has been assessed according to the National Tax Equivalent Regime of the NSW Treasury, which proposes, as far as practical, the adoption of the relevant Commonwealth tax legislation as the basis for determining taxation liability. Tax effect accounting has also been adopted from 1 July 2003.

Current tax

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

Deferred tax

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

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

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

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

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

Current and deferred tax for the year

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

1.10 Dividends to the NSW Treasury

In accordance with the Statement of Corporate Intent, UrbanGrowth NSW has been given relief from paying dividends from 2015-16.

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

1.11 Goods and Services Tax

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

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

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

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

1.12 Cash and Cash Equivalents

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

1.13 Trade and Other Receivables

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

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

Interest is charged on overdue settlement monies where agreed settlement dates are not met. The rate of interest applied varied during the year and is currently 11.44% (2015: 11.13%). Sales are made on varying terms, but generally on a 42-day exchange and 21-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.

UrbanGrowth NSW reviews its inventory balances periodically and writes off inventory where the net realisable value is less than the carrying amount in the accounts. UrbanGrowth NSW 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 Leasehold Improvements

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

1.17 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 UrbanGrowth NSW using the straight line method. The written down value of plant and equipment as at 30 June 2016 approximates fair value.

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.17 Plant and Equipment (continued)

The following estimated useful lives are used in the calculation of depreciation for major items for 2016 and 2015:

Computer equipment	- 3 to 4 years
Office equipment	- 5 to 20 years
Motor Vehicles	- 8 years.

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

1.18 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.

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

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

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 Financial Instruments

Financial instruments give rise to positions that are a financial asset of either UrbanGrowth NSW or its counterparts and a financial liability (or equity instrument) of the other party. For UrbanGrowth NSW, 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.

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 UrbanGrowth NSW 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.

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.20 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

UrbanGrowth NSW 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 UrbanGrowth NSW neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, UrbanGrowth NSW recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If UrbanGrowth NSW retains substantially all the risks and rewards of ownership of a transferred financial asset, UrbanGrowth NSW 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

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

1.21 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 14-01). This policy adopts fair value in accordance with AASB 116 *Property, Plant and Equipment* and AASB 140 *Investment Property* and AASB 13 *Fair Value Measurement*.

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.

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

1.21 Revaluation of Property, Plant and Equipment *(continued)*

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.

UrbanGrowth NSW uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at measurement date.

Level 2 – Inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – Inputs are unobservable inputs for the asset or liability.

For assets and liabilities that are recognised in the financial statements on a recurring basis, UrbanGrowth NSW determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Non-specialised assets with short useful lives are measured at depreciated historical cost, as an approximation of their fair value. As a result there are no fair value hierarchy disclosures required for non-financial assets.

1.22 Provisions

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

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

The provision to complete projects captures all unpaid development costs which were included in the original land development schedule. It is raised as an estimate based on known costs at the time when the land is ready for settlement and will be paid within the next four years.

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

Provision for rebates is recognised when a lot is sold. As part of the conditions of sale, UrbanGrowth NSW 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 UrbanGrowth NSW. 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.

1.23 Intangible Assets

Computer software costs (licences) and website costs are treated as intangible assets. The useful lives of these intangible assets are estimated as finite and the cost method is 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 UrbanGrowth NSW'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 estimated useful lives used in the calculation of depreciation for major items for 2016 and 2015 is 4 to 5 years.

1.24 Recoverable Amount of Assets

At each reporting date, UrbanGrowth NSW assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, UrbanGrowth NSW 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.

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

1.25 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.

1.26 Joint Arrangements

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

Joint operations

UrbanGrowth NSW has joint operations and therefore recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings. Details of the joint operations are set out in note 28.

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

(i) Effective 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 UrbanGrowth NSW.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 1057 Application of Australian Accounting Standards	1 January 2016	30 June 2017
AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle	1 January 2016	30 June 2017
AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	1 January 2016	30 June 2017
AASB 2014-4 Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016	30 June 2017
AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations	1 January 2016	30 June 2017
AASB 15 Revenue from Contracts with Customers and 2014-5 Amendments to Australian Accounting Standards arising from AASB 15	1 January 2018	30 June 2019
AASB 9 Financial Instruments	1 January 2018	30 June 2019
AASB 16 Leases	1 January 2019	30 June 2020

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

	2016 \$'000	2015 \$'000
2(a) Sales Revenue		
Income from land sales	449,270	401,879
Income from managed land sales	208,795	245,088
	658,065	646,967
2(b) Other Revenue		
Management fees	14,134	21,624
Rental income	1,191	1,336
Holding cost recoveries	-	2,566
Other	398	351
	15,723	25,877
2(c) Finance Income		
Interest from bank	6,795	3,556
Unwinding of the discount rate	444	607
Interest from late settlement	474	397
	7,713	4,560
3 Marketing and Selling Expenses		
Advertising	2,543	4,934
Sales contractors and commission	3,495	1,422
Other	245	374
	6,283	6,730
4 Employee Related Expenses		
Salaries and wages	32,820	27,893
Termination payments	1,371	609
Superannuation – defined benefit plans	985	1,240
Superannuation – defined contribution plans	3,103	2,460
Long service leave	1,241	1,660
Annual leave	2,985	2,428
Payroll tax and fringe benefits tax	2,426	2,017
Other employee related expenses	1,833	1,533
	46,764	39,840
Transfer of capital costs to inventories	(20,007)	(16,336)
	26,757	23,504

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

	2016 \$'000	2015 \$'000
5 Other Operating Expenses		
Auditor's remuneration – audit of financial statements	215	210
Operating lease rental expense – minimum lease payments	4,232	2,559
General administrative costs	10,345	16,400
Council rates	1,362	1,317
Land tax	7,459	8,726
Adjustment of inventory to net realisable value	6,897	13,856
Expenses incurred on management fee revenue	10,314	16,246
Project establishment costs	35,167	21,172
Property and accommodation expenses	2,329	1,133
Reversal of debtor's impairment	-	(628)
Consultancy fees	652	720
	78,972	81,711
Transfer of capital costs to inventories	(7,788)	(3,218)
	71,184	78,493

6 Depreciation and Amortisation Expense

Buildings	-	95
Leasehold improvements	432	419
Plant and equipment	515	633
Intangible assets	196	114
Motor vehicles	25	26
	1,168	1,287

7 Finance Costs

Interest	805	2,984
Unwinding of the discount rate	386	1,610
Amortisation of loan (discount)/premium	(210)	(699)
Government guarantee fee	161	1,032
	1,142	4,927

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

	2016 \$'000	2015 \$'000
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 2016 and 2015 are:		
Current income tax charge	69,550	54,858
Deferred income tax		
Origination and reversal of temporary differences	(446)	(347)
Income tax expense reported in the Statement of Comprehensive Income	69,104	54,511
Deferred income tax (revenue)/expense included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets	148	67
(Decrease)/increase in deferred tax liabilities	(594)	(414)
	(446)	(347)
Income tax expense recognised directly in equity		
Deferred income tax related to items charged or credited directly to equity:		
Superannuation actuarial gain/(loss)	(2,004)	(583)
Income tax expense reported in equity	(2,004)	(583)
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	230,344	181,698
At the statutory income tax rate of 30% (2015: 30%)	69,103	54,509
Deductions not allowable for income tax purposes	1	2
Income tax expense reported in the Statement of Comprehensive Income	69,104	54,511

9 Cash and Cash Equivalents

Cash at bank and on hand	54,995	72,688
Short term deposits	349,000	139,000
	403,995	211,688

Included in the cash and cash equivalents is restricted cash of \$4.723 million (2015 \$12.294 million). These funds are related to cash held on behalf of project partners.

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

	2016 \$'000	2015 \$'000
10 Trade and Other Receivables		
Current		
Trade receivables	16,943	15,539
Development bonds	614	254
Other receivables	1,134	658
	18,691	16,451
Non-current		
Trade receivables	5,957	7,257
Development bonds	40	212
Loan receivables	447	526
	6,444	7,995
Movement in the allowance for impairment loss		
Balance at the beginning of the year	-	628
Increase/(decrease) in allowance recognized in profit or loss	-	(628)
Balance at the end of the year	-	-

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired, are disclosed in Note 24.

The non-current trade receivable of \$5.957 million (2015: \$7.257 million) represents deferred settlement proceeds for the project at Wollie Creek.

11 Inventories

Current		
Work in progress	236,040	200,567
Developed land	41,956	37,477
	277,996	238,044
Non-current		
Work in progress	46,114	46,067
Undeveloped land	240,920	328,755
	287,034	374,822
Total	565,030	612,866

The cost of inventories recognised as an expense includes \$6.897 million (2015: \$13.856 million) in respect of write-downs of inventory to net realisable value.

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

	2016 \$'000	2015 \$'000
11 Inventories (continued)		
Details of inventories:		
Acquisition costs	227,497	264,201
Development costs	307,108	318,689
Other costs	30,425	29,976
	565,030	612,866
12 Other		
Current		
Prepayments	4,077	5,388
	4,077	5,388
13 Property, Plant and Equipment		
Leasehold improvements		
At gross carrying amount	7,199	3,278
Accumulated depreciation	(2,024)	(1,783)
Net carrying amount	5,175	1,495
Motor vehicles		
At gross carrying amount	183	208
Accumulated depreciation	(71)	(66)
Net carrying amount	112	142
Plant and equipment		
At gross carrying amount	4,017	3,703
Accumulated depreciation	(2,166)	(1,687)
Net carrying amount	1,851	2,016
Total net carrying amount	7,138	3,653

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

13 Property, Plant and Equipment (continued)

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:

2016	Land	Buildings	Leasehold improvements	Motor vehicles	Plant & equipment	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Net carrying amount at beginning of the year	-	-	1,495	142	2,016	3,653
Additions			4,123	-	424	4,547
Disposals	-	-	(11)	(5)	(74)	(90)
Depreciation expense	-	-	(432)	(25)	(515)	(972)
Net carrying amount at the end of the year	-	-	5,175	112	1,851	7,138
2015	Land	Buildings	Leasehold improvements	Motor vehicles	Plant & equipment	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Net carrying amount at beginning of the year	1,157	1,517	2,081	149	2,561	7,465
Additions				45	176	221
Disposals	(1,157)	(1,422)	(167)	(26)	(88)	(2,860)
Depreciation expense	-	(95)	(419)	(26)	(633)	(1,173)
Net carrying amount at the end of the year	-	-	1,495	142	2,016	3,653
					2016	2015
					\$'000	\$'000

14 Intangible Assets

Computer software and website

Gross carrying amount

Carrying amount at beginning of the year	4,186	3,895
Additions	636	291
Disposals	(12)	-
Carrying amount at end of the year	4,810	4,186

Accumulated amortisation and impairment

Carrying amount at beginning of the year	(3,848)	(3,734)
Amortisation expense and impairment	(196)	(114)
Disposal	12	-
Carrying amount at end of the year	(4,032)	(3,848)
Net carrying amount at end of the year	778	338

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

	2016 \$'000	2015 \$'000
15 Deferred Tax Assets		
The balance comprises temporary differences attributable to:		
Depreciation and amortisation	660	572
Provisions	12,954	11,053
Sundry	19	18
Fair value adjustments	269	402
	13,902	12,045
Movements		
Carrying amount at beginning of the year	12,045	11,529
Credited/(charge) to the Statement of Comprehensive Income	(147)	(67)
Credited/(charge) to equity	2,004	583
Carrying amount at end of the year	13,902	12,045
16 Trade and Other Payables		
Current		
Trade payables	17,389	22,442
Unearned income	22,167	15,899
Bonds and deposits held	39,273	38,070
Accrued expenses	44,633	27,882
Retentions	2,058	1,487
	125,520	105,780
Non-current		
Bonds and deposits held	47,280	-
Accrued expenses	515	752
	47,795	752
17 Current Tax Liabilities		
Carrying amount at beginning of the year	13,399	22,036
Income tax expense	69,104	54,511
Movement in deferred tax assets/(liabilities)	446	347
Tax payment	(54,270)	(63,495)
Carrying amount at end of the year	28,679	13,399

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

	2016 \$'000	2015 \$'000
18 Provisions		
(a) Employee benefits – current		
Provision for annual leave	2,197	2,024
Provision for long service leave		
- Expected to be settled within 12 months	1,030	475
- Expected to be settled after 12 months	4,837	5,468
Provision for on-costs	1,273	1,259
Other	91	-
	9,428	9,226
(b) Employee benefits – non-current		
Provision for superannuation liability (see Note 19)	28,635	21,327
Provision for long service leave	510	517
Provision for on-costs	76	77
	29,221	21,921
Total employee benefits	38,649	31,147
(c) Other provisions – current		
Provision to complete projects	110,422	110,780
Provision for rebates	1,700	2,735
Provision for dividend to NSW Treasury	-	75,356
	112,122	188,871
The dividend payable on profit after tax is \$Nil (2015: \$75.356million).		
(d) Other provisions – non-current		
Provision to complete projects	30,393	22,270
Provision for rebates	2,193	2,256
Provision for other	1,025	524
	33,611	25,050
Total current and non-current provisions		
Current employee benefits	9,428	9,226
Current other provisions	112,122	188,871
Total current provisions	121,550	198,097
Non-current employee benefits	29,221	21,921
Non-current other provisions	33,611	25,050
Total non-current provisions	62,832	46,971
	184,382	245,068

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

18 Provisions (continued)

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

Other provisions

2016	Provision for dividend to NSW Treasury	Provision for rebates	Provision to complete projects	Provision for other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at beginning of the year	75,356	4,991	133,050	524	213,921
Additional provisions recognised	-	2,206	77,915	501	80,622
Reductions in provisions from payments	(75,356)	(1,728)	(70,536)	-	(147,620)
Change in provisions from re-measurement	-	(1,576)	386	-	(1,190)
Carrying amount at end of the year	-	3,893	140,815	1,025	145,733

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

19 Superannuation

Fund information

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

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

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

All the Schemes are closed to new members

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

The schemes in the Pooled Fund are established and governed by the following NSW legislation: Superannuation Act 1916, State Authorities Superannuation Act 1987, Police Regulation (Superannuation) Act 1906, State Authorities Non-Contributory Superannuation Act 1987, and their associated regulation.

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

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

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

An actuarial investigation of the Pooled Fund is performed every three years. The last actuarial investigation was performed as at 30 June 2015. The next actuarial investigation is due as at 30 June 2018.

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

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

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

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

The defined benefit fund assets are invested with independent fund managers and have a diversified asset mix. The Fund has no significant concentration of investment risk or liquidity risk.

There were no fund amendments, curtailments or settlements during the year.

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

19 Superannuation (continued)

Superannuation position as at 30 June 2016

	SASS 30-Jun-2016	SANCS 30-Jun-2016	SSS 30-Jun-2016	TOTAL 30-Jun-2016
Member numbers				
Contributors	9	13	4	26
Deferred benefits	-	-	-	-
Pensioners	-	-	15	15
Pensions fully commuted	-	-	2	2
Superannuation position for AASB 119 purposes	\$'000	\$'000	\$'000	\$'000
Accrued liability (Note 1)	7,692	1,463	40,856	50,011
Estimated reserve account balance	(3,235)	(586)	(17,555)	(21,376)
1. Deficit/(surplus)	4,457	877	23,301	28,635
2. Future Service Liability (Note 2)	928	438	384	1,750
3. Surplus in excess of recovery available from schemes (- 1. - 2. and subject to a minimum of zero)	-	-	-	-
4. Net (asset)/liability to be recognised in statement of financial position (1. + 3.)	4,457	877	23,301	28,635

Note 1:

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

Note 2:

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

	SASS Financial Year to 30 June 2016 \$'000	SANCS Financial Year to 30 June 2016 \$'000	SSS Financial Year to 30 June 2016 \$'000	Total Financial Year to 30 June 2016 \$'000
Reconciliation of the Net Defined Benefit Liability/(Asset)				
Net Defined Benefit Liability/(Asset) at start of year	4,057	768	16,502	21,327
Current service cost	274	70	-	344
Net Interest on the net defined benefit liability/(asset)	120	23	498	641
Past service cost	-	-	-	-
(Gains)/losses arising from settlements	-	-	-	-
Actual return on Fund assets less Interest income	14	9	(35)	(12)
Actuarial (gains)/losses arising from changes in demographic assumptions	(46)	(10)	921	865
Actuarial (gains)/losses arising from changes in financial assumptions	469	111	5,749	6,329
Actuarial (gains)/losses arising from liability experience	(236)	(47)	(218)	(501)
Adjustment for effect of asset ceiling	-	-	-	-
Employer contributions	(195)	(46)	(117)	(358)
Effects of transfers in/out due to business combinations and disposals	-	-	-	-
Net Defined Benefit Liability/(Asset) at end of year	4,457	878	23,300	28,635

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

19 Superannuation (continued)

	SASS Financial Year to 30 June 2016 \$'000	SANCS Financial Year to 30 June 2016 \$'000	SSS Financial Year to 30 June 2016 \$'000	Total Financial Year to 30 June 2016 \$'000
Reconciliation of the Fair Value of Fund Assets				
Fair value of Fund assets at beginning of the year	3,687	971	17,593	22,251
Interest income	109	28	521	658
Actual return on Fund assets less Interest income	(14)	(9)	35	12
Employer contributions	195	46	117	358
Contributions by participants	89	-	144	233
Benefits paid	(788)	(439)	(872)	(2,099)
Taxes, premiums & expenses paid	(43)	(11)	17	(37)
Transfers in	-	-	-	-
Contributions to accumulation section	-	-	-	-
Settlements	-	-	-	-
Exchange rate changes	-	-	-	-
Fair value of Fund assets at end of the year	3,235	586	17,555	21,376

Reconciliation of the Defined Benefit Obligation				
Present value of defined benefit obligations at beginning of the year	7,744	1,739	34,095	43,578
Current service cost	274	70	-	344
Interest cost	229	50	1,020	1,299
Contributions by participants	89	-	144	233
Actuarial (gains)/losses arising from changes in demographic assumptions	(46)	(10)	921	865
Actuarial (gains)/losses arising from changes in financial assumptions	469	111	5,749	6,329
Actuarial (gains)/losses arising from liability experience	(236)	(47)	(218)	(501)
Benefits paid	(788)	(439)	(872)	(2,099)
Taxes, premiums & expenses paid	(43)	(11)	17	(37)
Transfers in/out due to business combinations and disposal	-	-	-	-
Contributions to accumulation section	-	-	-	-
Past service cost	-	-	-	-
Settlements	-	-	-	-
Exchange rate changes	-	-	-	-
Present value of defined benefit obligations at end of the year	7,692	1,463	40,856	50,011

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

19 Superannuation (continued)

	SASS	SANCS	SSS	Total
	Financial Year to 30 June 2016	Financial Year to 30 June 2016	Financial Year to 30 June 2016	Financial Year to 30 June 2016
	\$'000	\$'000	\$'000	\$'000
Reconciliation of the effect of the Asset Ceiling				
Adjustment for effect of asset ceiling at beginning of the year	-	-	-	-
Change in the effect of asset ceiling	-	-	-	-
Adjustment for effect of asset ceiling at end of the year	-	-	-	-

The adjustment for the effect of asset ceiling has been determined based on the maximum economic benefit available to the entity in the form of reductions in future employer contribution.

Fair value of Fund assets

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

As at 30 June 16

Asset category	Total (\$'000)	Quoted prices in active markets for identical assets Level 1 (\$'000)	Significant observable inputs Level 2 (\$'000)	Unobservable inputs Level 3 (\$'000)
Short Term Securities	2,050	2,044	6	-
Australian Fixed Interest	2,721	3	2,718	-
International Fixed Interest	834	(1)	836	-
Australian Equities	9,721	9,172	549	-
International Equities	12,094	9,026	2,079	989
Property	3,650	1,113	619	1,918
Alternatives	7,116	470	3,122	3,524
Total*	38,186	21,827	9,929	6,431

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

	30 June 2016
Short Term Securities	5.4%
Australian Fixed Interest	7.1%
International Fixed Interest	2.2%
Australian Equities	25.5%
International Equities	31.7%
Property	9.6%
Alternatives	18.6%
Total	100.0%

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

19 Superannuation (continued)

^Additional to the assets disclosed above, at 30 June 2016 the Pooled Fund has provisions for receivables/ (payables) estimated to be around \$2.83 billion. This gives total estimated assets of \$41.01 billion.

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

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

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

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

Fair value of entity's own financial instruments

The fair value of the Pooled Fund assets as at 30 June 2016 include \$189.6 million in NSW government bonds.

Of the direct properties owned by the Pooled Fund:

- SAS Trustee Corporation occupies part of a property 100% owned by the Pooled Fund with a fair value of \$222 million (30 June 2015: \$159 million).

- Health Administration Corporation occupies part of a property 50% owned by the Pooled Fund with a fair value of \$243 million (30 June 2015: \$204 million).

Significant Actuarial Assumptions at the Reporting Date

30-June-2016

Discount rate	1.99% pa
Salary increase rate (excluding promotional increases)	2.50% 2016/2017 to 2018/2019; 3.50% 2019/2020 and 2020/2021; 3.00% pa 2021/2022 to 2025/2026; 3.50% pa thereafter
Rate of CPI Increase	1.5% 2015/2016; 1.75% 2016/2017; 2.25% 2017/2018; 2.50% pa thereafter
Pensioner mortality	as per the 2015 Actuarial Investigation of the Pooled Fund

Sensitivity Analysis

The entity's total defined benefit obligation as at 30 June 2016 under several scenarios is presented below. The total defined benefit obligation disclosed is inclusive of the contribution tax provision which is calculated based on the asset level at 30 June 2016.

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

	Base Case	Scenario A -1% discount rate	Scenario B +1% discount rate
Discount rate	1.99%	0.99%	2.99%
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Defined benefit obligation \$000	50,011	58,565	43,188

	Base Case	Scenario C +0.5% CPI increase	Scenario D -0.5% CPI decrease
Discount rate	as above	as above	as above
Rate of CPI increase	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Salary inflation rate	as above	as above	as above
Defined benefit obligation \$000	50,011	53,638	46,742

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

19 Superannuation (continued)

	Base Case	Scenario E +0.5% Salary increase	Scenario F -0.5% Salary decrease
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Defined benefit obligation \$000	50,011	50,400	49,639

	Base Case	Scenario G +0.5% Pensioner mortality	Scenario H -0.5% Pensioner mortality
Defined benefit obligation \$000	50,011	49,505	50,938

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

Asset-Liability matching strategies

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

Funding arrangements

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

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

a) Surplus/deficit

The following is a summary of the 30 June 2016 financial position of the Fund calculated in accordance with AAS 25 "Financial Reporting by Superannuation Plans":

	SASS 30 June 2016 \$'000	SANCS 30 June 2016 \$'000	SSS 30 June 2016 \$'000	TOTAL 30 June 2016 \$'000
Accrued benefits*	5,678	1,014	18,074	24,766
Net market value of Fund assets	(3,235)	(586)	(17,555)	(21,376)
Net (surplus)/deficit	2,443	428	519	3,390

*There is no allowance for a contribution tax provision within the Accrued Benefits figure for AAS 25. Allowance for contributions tax is made when setting the contribution rates.

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	2.50%	1.6

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

19 Superannuation (continued)

c) Economic assumptions

The economic assumptions adopted for the 2015 actuarial review of the Fund are:

Weighted-average assumptions

Expected rate of return on Fund assets backing current pension liabilities	7.8% pa
Expected rate of return on Fund assets backing other liabilities	6.8% pa
Expected salary increase rate (SASS, SANCS, SSS)	3.0% to 30 June 2019 then 3.5% pa thereafter
Expected rate of CPI increase	2.5% pa

d) Expected Contribution

	SASS Financial Year to 30 June 2016	SANCS Financial Year to 30 June 2016	SSS Financial Year to 30 June 2016	Total Financial Year to 30 June 2016
Expected employer contributions to be paid in the next reporting period	170	58	230	458

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation is 15.2 years

Profit and Loss Impact

	SASS Financial Year to 30 June 2016	SANCS Financial Year to 30 June 2016	SSS Financial Year to 30 June 2016	Total Financial Year to 30 June 2016
Current service cost	274	70	-	344
Net interest	120	23	498	641
Past service cost	-	-	-	-
(Gains)/Loss on settlement	-	-	-	-
Defined benefit cost	394	93	498	985

Other Comprehensive Income

	SASS Financial Year to 30 June 2016	SANCS Financial Year to 30 June 2016	SSS Financial Year to 30 June 2016	Total Financial Year to 30 June 2016
Actuarial (gains) losses on liabilities	187	54	6,452	6,693
Actual return on Fund assets less Interest income	14	9	(35)	(12)
Adjustment for effect of asset ceiling	-	-	-	-
Total re measurement in Other Comprehensive Income	201	63	6,417	6,681

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

19 Superannuation (continued)

Superannuation position as at 30 June 2015

	SASS 30 June 2015	SANCS 30 June 2015	SSS 30 June 2015	TOTAL 30 June 2015
Member numbers				
Contributors	10	16	6	32
Deferred benefits	-	-	-	-
Pensioners	-	-	13	13
Pensions fully commuted	-	-	2	2
Superannuation position for AASB 119 purposes	\$'000	\$'000	\$'000	\$'000
Accrued liability (Note 1)	7,744	1,739	34,095	43,578
Estimated reserve account balance	(3,687)	(971)	(17,593)	(22,251)
1. Deficit/(surplus)	4,057	768	16,502	21,327
2. Future Service Liability (Note 2)	960	530	424	1,914
3. Surplus in excess of recovery available from schemes (- 1. - 2. and subject to a minimum of zero)	-	-	-	-
4. Net (asset)/liability to be recognised in statement of financial position (1. + 3.)	4,057	768	16,502	21,327

Note 1:

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

Note 2:

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

	SASS Financial Year to 30 June 2015 \$'000	SANCS Financial Year to 30 June 2015 \$'000	SSS Financial Year to 30 June 2015 \$'000	Total Financial Year to 30 June 2015 \$'000
Reconciliation of the Net Defined Benefit Liability/(Asset)				
Net Defined Benefit Liability/(Asset) at start of year	3,912	863	13,885	18,660
Current service cost	250	82	252	584
Net Interest on the net defined benefit liability/(asset)	136	30	491	657
Past service cost	-	-	-	-
(Gains)/losses arising from settlements	-	-	-	-
Actual return on Fund assets less Interest income	(294)	(71)	(1,286)	(1,651)
Actuarial (gains)/losses arising from changes in demographic assumptions	124	12	46	182
Actuarial (gains)/losses arising from changes in financial assumptions	206	63	2,972	3,241
Actuarial (gains)/losses arising from liability experience	(66)	(148)	384	170
Employer contributions	(211)	(63)	(242)	(516)
Effects of transfers in/out due to business combinations and disposals	-	-	-	-
Net Defined Benefit Liability/(Asset) at end of year	4,057	768	16,502	21,327

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

19 Superannuation (continued)

	SASS	SANCS	SSS	Total
	Financial Year to 30 June 2015	Financial Year to 30 June 2015	Financial Year to 30 June 2015	Financial Year to 30 June 2015
	\$'000	\$'000	\$'000	\$'000
Reconciliation of the Fair Value of Fund Assets				
Fair value of Fund assets at beginning of the year	3,585	943	16,142	20,670
Interest income	128	33	568	729
Actual return on Fund assets less Interest income	294	71	1,286	1,651
Employer contributions	211	63	242	516
Contributions by participants	89	0	142	231
Benefits paid	(573)	(144)	(825)	(1,542)
Taxes, premiums & expenses paid	(47)	5	38	(4)
Transfers in	-	-	-	-
Contributions to accumulation section	-	-	-	-
Settlements	-	-	-	-
Exchange rate changes	-	-	-	-
Fair value of Fund assets at end of the year	3,687	971	17,593	22,251

Reconciliation of the Defined Benefit Obligation				
Present value of defined benefit obligations at beginning of the year	7,497	1,806	30,027	39,330
Current service cost	250	82	252	584
Interest cost	263	63	1,059	1,385
Contributions by participants	89	0	142	231
Actuarial (gains)/losses arising from changes in demographic assumptions	124	12	46	182
Actuarial (gains)/losses arising from changes in financial assumptions	206	63	2,972	3,241
Actuarial (gains)/losses arising from liability experience	(65)	(148)	384	171
Benefits paid	(573)	(144)	(825)	(1,542)
Taxes, premiums & expenses paid	(47)	5	38	(4)
Transfers in/out due to business combinations and disposal	-	-	-	-
Contributions to accumulation section	-	-	-	-
Past service cost	-	-	-	-
Settlements	-	-	-	-
Exchange rate changes	-	-	-	-
Present value of defined benefit obligations at end of the year	7,744	1,739	34,095	43,578

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

19 Superannuation (continued)

	SASS	SANCS	SSS	Total
	Financial Year to 30 June 2015	Financial Year to 30 June 2015	Financial Year to 30 June 2015	Financial Year to 30 June 2015
	\$'000	\$'000	\$'000	\$'000
Reconciliation of the effect of the Asset Ceiling				
Adjustment for effect of asset ceiling at beginning of the year	-	-	-	-
Change in the effect of asset ceiling	-	-	-	-
Adjustment for effect of asset ceiling at end of the year	-	-	-	-

Fair value of Fund assets

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

As at 30 June 15

Asset category	Total (\$'000)	Quoted prices in active markets for identical assets Level 1 (\$'000)	Significant observable inputs Level 2 (\$'000)	Unobservable inputs Level 3 (\$'000)
Short Term Securities	2,642	96	2,546	0
Australian Fixed Interest	2,657	1	2,639	17
International Fixed Interest	1,004	0	1,004	0
Australian Equities	10,407	9,899	504	4
International Equities	13,111	9,963	2,585	563
Property	3,453	948	718	1,786
Alternatives	7,170	622	3,020	3,528
Total*	40,444	21,529	13,016	5,898

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

	30 June 2015
Short Term Securities	6.5%
Australian Fixed Interest	6.6%
International Fixed Interest	2.5%
Australian Equities	25.7%
International Equities	32.4%
Property	8.6%
Alternatives	17.7%
Total	100.0%

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

19 Superannuation (continued)

^Additional to the assets disclosed above, at 30 June 2015 the Pooled Fund has provisions for receivables/(payables) estimated to be around \$1.74 billion. This gives total estimated assets of \$42.2 billion.

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

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

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

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

Fair value of entity's own financial instruments

The fair value of the Pooled Fund assets as at 30 June 2015 include \$209.2 million in NSW government bonds.

Of the direct properties owned by the Pooled Fund:

- GPNSW occupies part of a property owned by the Pooled Fund with a fair value of \$159 million (30 June 2014: \$153 million)

- NSW Ambulance occupies part of a property 50% owned by the Pooled Fund with a fair value of \$204 million (30 June 2014: \$205 million).

Significant Actuarial Assumptions at the Reporting Date

30-June-2015

Salary increase rate (excluding promotional increases)	
Discount rate	3.03% pa
Salary increase rate (excluding promotional increases)	2.50% 2015/2016 to 2018/2019; 3.50% 2019/2020; 3.00% pa 2021/2022 to 2024/2025; 3.50% pa thereafter
Rate of CPI Increase	2.50% 2015/2016; 2.75% 2016/2017 & 2017/2018; 2.50% pa thereafter
Pensioner mortality	as per the 2012 Actuarial Investigation of the Pooled Fund

Sensitivity Analysis

The entity's total defined benefit obligation as at 30 June 2015 under several scenarios is presented below. The total defined benefit obligation disclosed is inclusive of the contribution tax provision which is calculated based on the asset level at 30 June 2015.

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

	Base Case	Scenario A -1% discount rate	Scenario B +1% discount rate
Discount rate	3.03%	2.03%	4.03%
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Defined benefit obligation \$000	43,579	50,500	38,014

	Base Case	Scenario C +0.5% CPI increase	Scenario D -0.5% CPI decrease
Discount rate	as above	as above	as above
Rate of CPI increase	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Salary inflation rate	as above	as above	as above
Defined benefit obligation \$000	43,579	46,438	40,995

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

19 Superannuation (continued)

	Base Case	Scenario E +0.5% Salary increase	Scenario F -0.5% Salary decrease
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Defined benefit obligation \$000	43,579	43,998	43,178

	Base Case	Scenario G +0.5% Pensioner mortality	Scenario H -0.5% Pensioner mortality
Defined benefit obligation \$000	43,579	43,198	43,982

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

Asset-Liability matching strategies

The Trustee monitors its asset-liability risk continuously in setting its investment strategy. It also monitors cash flows to manage liquidity requirements.

Funding arrangements

Funding arrangements are reviewed at least every three years following the release of the triennial actuarial review. The 30 June 2015 triennial review has recently been completed and funding arrangements are currently being reviewed. Contribution rates are set after discussions between the employer, STC and NSW Treasury.

The next triennial review as at 30 June 2018, the report is expected to be released by the end of 2018

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

a) Surplus/deficit

The following is a summary of the 30 June 2015 financial position of the Fund calculated in accordance with AAS 25 "Financial Reporting by Superannuation Plans":

	SASS 30 June 2015 \$'000	SANCS 30 June 2015 \$'000	SSS 30 June 2015 \$'000	TOTAL 30 June 2015 \$'000
Accrued benefits	5,864	1,243	16,472	23,579
Net market value of Fund assets	(3,687)	(971)	(17,593)	(22,251)
Net (surplus)/deficit	2,177	272	(1,121)	1,328

b) Contribution recommendations

Recommended contribution rates for the entity are:

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

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

19 Superannuation (continued)

c) Economic assumptions

The economic assumptions adopted for the 2012 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 (SASS, SANCS, SSS)	2.7% pa to 30 June 2018, then 4.0% pa thereafter
Expected rate of CPI increase	2.5% pa

d) Expected Contribution

	SASS Financial Year to 30 June 2016	SANCS Financial Year to 30 June 2016	SSS Financial Year to 30 June 2016	Total Financial Year to 30 June 2016
Expected employer contributions to be paid in the next reporting period	170	68	227	465

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation is 14.2 years

Profit and Loss Impact

	SASS Financial Year to 30 June 2015	SANCS Financial Year to 30 June 2015	SSS Financial Year to 30 June 2015	Total Financial Year to 30 June 2015
Current service cost	250	82	251	583
Net interest	136	30	491	657
Past service cost	-	-	-	-
(Gains)/Loss on settlement	-	-	-	-
Defined benefit cost	386	112	742	1,240

Other Comprehensive Income

	SASS Financial Year to 30 June 2015	SANCS Financial Year to 30 June 2015	SSS Financial Year to 30 June 2015	Total Financial Year to 30 June 2015
Actuarial (gains) losses on liabilities	265	(73)	3,402	3,594
Actual return on Fund assets less Interest income	(294)	(71)	(1,286)	(1,651)
Adjustment for effect of asset ceiling	-	-	-	-
Total re measurement in Other Comprehensive Income	(29)	(144)	2,116	1,943

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

20 Borrowings

	2016 \$'000	2015 \$'000
Current		
Unsecured loans at face value (i)	-	27,173
Unamortised discounts	-	542
Total current borrowings	-	27,715
Non-current		
Unsecured loans at face value (i)	-	-
Total non-current borrowings	-	-
Repayment of borrowings		
Not later than 1 year	-	27,715
Between 1 and 5 years	-	-
Total borrowings	-	27,715

Summary of borrowing arrangements:

- (i) Fixed rate loans with NSW Treasury Corporation (TCorp) with maturity periods not exceeding three years (2015: three years). The weighted average interest rate is 0% p.a. (2015: 6.00% p.a.).
- (ii) UrbanGrowth NSW has undrawn facilities sufficient to meet obligations as and when they fall due.

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

21 Deferred Tax Liabilities

The balance comprises temporary differences attributable to:

	2016 \$'000	2015 \$'000
Fair value adjustments	207	322
Depreciation and amortisation	8	-
Prepayments	923	1,410
Sundry	-	-
	1,138	1,732
Movements		
Carrying amount at beginning of the year	1,732	2,146
Charge to the Statement of Comprehensive Income	(594)	(414)
Debited/(change) to equity	-	-
Carrying amount at end of the year	1,138	1,732

22 Contributed capital

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

23 Reconciliation of Profit after income tax to net cash inflow from operating activities

	2016 \$'000	2015 \$'000
Net Profit for the year	161,240	127,187
Depreciation and amortisation	1,168	1,287
(Gain)/loss from sale of property, plant and equipment	(11)	(934)
Amortisation of loan premium	(210)	(699)
Unwinding of discount rate income and expense	(58)	1,003
Change in assets and liabilities		
Increase/(decrease) in provisions	7,989	15,106
Increase/(decrease) in payables and tax liabilities	81,469	7,007
(Increase)/decrease in receivables	(631)	(3,592)
(Increase)/decrease in inventory and other assets	49,294	96,328
Net cash flows (used in)/ from operating activities	300,250	242,693

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

24 Financial Instruments

(This note is to be read in conjunction with Note 1.20)

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

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

Financial instrument categories

Financial assets	Notes	Category	Carrying amount 2016 \$'000	Carrying amount 2015 \$'000
Class				
Cash and cash equivalents	9	N/A	403,995	211,688
Trade and other receivables	10	Loans and receivables (at amortised cost)	25,135	24,446
Financial liabilities				
Class				
Trade and other payables	16	Financial liabilities measured at amortised cost	56,525	87,000
Borrowings	20	Financial liabilities measured at amortised cost	-	27,715

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. UrbanGrowth NSW'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. UrbanGrowth NSW is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. There are no debtors which are currently not past due or impaired whose terms have been renegotiated.

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

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

24 Financial Instruments (continued)

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

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

	\$'000	\$'000	\$'000
	Total	Past due but not impaired	Considered Impaired
2016			
< 3 Months overdue	2,230	2,230	-
3 months – 6 months overdue	9	9	-
> 6 months overdue	-	-	-
	\$'000	\$'000	\$'000
	Total	Past due but not impaired	Considered Impaired
2015			
< 3 Months overdue	1,835	1,835	-
3 months – 6 months overdue	-	-	-
> 6 months overdue	18	18	-

Note:

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

UrbanGrowth NSW has given TCorp letters of undertaking to various councils/government agencies that certain infrastructure works will be carried out. The maximum exposure to credit risk of these TCorp letters of undertaking is \$38.05 million (2015: \$24.06 million).

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

24 Financial Instruments (continued)

(b) Liquidity risk

Liquidity risk arises if UrbanGrowth NSW 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. UrbanGrowth NSW 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 UrbanGrowth NSW's financial liabilities and interest rate exposure.

Maturity analysis and interest rate exposure of financial liabilities

	Interest rate exposure					Maturity dates		
	Weighted average effective interest rate	Nominal amount \$'000	Fixed interest rate \$'000	Variable interest rate \$'000	Non interest bearing \$'000	< 1 Year \$'000	1 – 5 Years \$'000	> 5 Years \$'000
2016								
Payables	-	56,525	-	-	56,525	56,010	515	-
Borrowings	-	-	-	-	-	-	-	-
	-	56,525	-	-	56,525	56,010	515	-
2015								
Payables	-	87,000	-	-	87,000	86,248	752	-
Borrowings	6.00%	28,803	28,803	-	-	28,803	-	-
	-	115,803	28,803	-	87,000	115,051	752	-

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.

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

(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. UrbanGrowth NSW'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. UrbanGrowth NSW's debt portfolio is managed by TCorp, the appointed debt management contractor.

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

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

24 Financial Instruments (continued)

The following table provides the sensitivity analysis of interest rate risk affecting financial assets and liabilities on the operating result and equity of UrbanGrowth NSW. A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates. UrbanGrowth NSW'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
2016					
Financial assets					
Cash and cash equivalents	403,995	(2,828)	(2,828)	2,828	2,828
2015					
Financial assets					
Cash and cash equivalents	211,688	(445)	(445)	445	445

(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.

The Statement of Financial Position records the carrying value of borrowings with NSW Treasury Corporation as Nil (30 June 2015: \$27.715 million); the fair value of borrowings is Nil (30 June 2015: \$28.355 million). All other financial instruments are recognised at amortised cost. Because of the short term nature of the Corporation's financial assets and liabilities, the amortised cost recognised in the Statement of Financial Position approximates fair value.

25 Expenditure Commitments

	2016 \$'000	2015 \$'000
Operating lease commitments		
Future non-cancellable operating lease rentals not provided for and payable:		
Not later than one year	4,653	2,187
Later than one year but not later than five years	9,759	4,669
Later than five years	-	-
Total operating lease commitments (including GST)	14,412	6,856

The total lease expenditure commitments above include input tax credits of \$1.310 million that are expected to be recoverable from the ATO (30 June 2015: \$0.623 million).

26 Contingent Assets and Liabilities

UrbanGrowth NSW may be liable to pay compensation for loss incurred by two land purchasers of up to \$6.25M. The likelihood of the purchaser lodging a claim is very low.

There was no other material contingent asset or liability at 30 June 2016.

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

27 Related Party Transactions

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

Compensation paid to the key management personnel of UrbanGrowth NSW was \$5.505 million (2015 \$4.047 million).

	2016	2015
	\$'000	\$'000
Short term employee benefits	4,590	3,809
Post-employment benefits	323	238
Termination benefits	592	-
Total compensation paid to key management personnel	5,505	4,047

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

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

During the year, UrbanGrowth NSW has had inter agency transactions for reimbursement of cost, distribution of revenue and management fees with other NSW State Government Agencies. In addition to the agencies listed in Note 28, UrbanGrowth NSW also transacted with Sydney Water Corporation, UrbanGrowth Development Corporation, Crownland Homesites Program and Family and Community Services.

28 Joint Arrangements

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

These arrangements are therefore classified as joint operations and UrbanGrowth NSW recognises its direct right to the jointly held assets, liabilities, revenues and expenses as described in note 1.26.

Details of these arrangements are as follows:

Name of joint arrangement	Nature of relationship	List of Parties Involved	Project location	Agreement Existed	
				2016	2015
Macarthur Heights	Joint operation	<ul style="list-style-type: none"> University of Western Sydney 	Campbelltown, NSW	Yes	Yes
Bunya	Joint operation	<ul style="list-style-type: none"> Department of Planning and Environment 	Doonside, NSW	Yes	Yes
One Minto	Joint operation	<ul style="list-style-type: none"> Land & Housing Corporation Campbelltown City Council 	Minto, NSW	Yes	Yes
Rouse Hill Town Centre	Joint operation	<ul style="list-style-type: none"> Department of Planning and Environment 	Rouse Hill NSW	Yes	Yes
Oran Park Town Centre	Joint operation	<ul style="list-style-type: none"> Greenfield Development Corporation Ltd Leppington Pastoral Co Pty Ltd 	Oran Park, NSW	Yes	Yes
Green Square Town Centre	Joint operation	<ul style="list-style-type: none"> Mirvac Green Square Limited 	Green Square, NSW	Yes	Yes
Newcastle East End	Joint operation	<ul style="list-style-type: none"> GPT Hunter Custodian Pty Ltd 	Newcastle, NSW	Yes	Yes
Bonnyrigg	Joint operation	<ul style="list-style-type: none"> NSW Land and Housing Corporation 	Bonnyrigg, NSW	Yes	No
Airds Bradbury Renewal	Joint operation	<ul style="list-style-type: none"> NSW Land and Housing Corporation 	Airds, NSW	Yes	Yes
Claymore Renewal	Joint operation	<ul style="list-style-type: none"> NSW Land and Housing Corporation 	Claymore, NSW	Yes	Yes

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

29 Events After Reporting Period

There has been no material post Statement of financial position events which would require disclosure or adjustments to the 30 June 2016 Financial Statements.

30 Segment Information

In 2016 and 2015 UrbanGrowth NSW operated in one business segment, and one geographical segment. Consequently, a segment report for 2016 and 2015 has not been reported.

End of Financial Statements

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Corporate directory

The current and previous years' Annual Report can be downloaded at: www.urbangrowth.nsw.gov.au/annualreport

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