







A LOOK AT LANDCORP'S

SOCIAL, ENVIRONMENTAL AND ECONOMIC

ANNIIAL REPORT 2004-2005



How to use this report

As the State Government's land developer, LandCorp is tasked with creating a better Western Australia, through sustainable development practices.
Our intent is captured in our vision:

"LandCorp is committed to balanced economic, social and environmental outcomes and a legacy of a better world for future generations."

This booklet reports on our activities under the broad headings of social, environmental and economic performance, assessing each against a series of indicators

These indicators demonstrate progress in introducing or improving sustainable practices. They fall into two distinct categories:

Process indicators

These are about how we work. They are crucial to our procedures for the initiation, planning and implementation of projects. They also enable us to capture sustainability criteria within projects.

Outcome indicators

These are a measure of our progress to date. They also provide a benchmark for future initiatives, actions and targets.

The Process and Outcome indicators are defined in detail in the matrix on pages 14 and 15, titled 'Our performance'. Beside each indicator is a list of pages within the body of the report on which information relevant to that indicator can be found. That relevant information is highlighted within the report using underlining.

LandCorp is the trading name for the Western Australian Land Authority.



Harvest Lakes - Atwell

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From the Chairperson

The Western Australian Land Authority, trading as LandCorp, has seen significant changes in 2004-05, none more important than the amendments to our governing legislation.



Becoming a Government Trading Enterprise has expanded our capabilities and positioned the organisation to deliver outstanding results to the Government and people of Western Australia.

The commercialisation amendments will enable LandCorp to lift its performance and engage more innovatively with the private sector, particularly through joint ventures and partnership arrangements.

A strong reform agenda has commenced, addressing procurement, human resources, compliance and business efficiencies, and developing a <u>culture</u> of empowered staff, streamlined processes and innovation.

The Board was also pleased with the outcomes of the corporate governance review undertaken by independent auditors during 2004 which found the organisation's Board was well placed to operate at a high level as a fully corporatised entity.

It is appropriate to consider the three core roles the State Government has asked LandCorp to deliver:

- Industrial land for the economic wellbeing of the state;
- Urban land that meets the needs of land buyers while also delivering against broader Government strategies and agendas;
- Managing Government assets to maximise the return to Government from its land facilities and property portfolio.

LandCorp's success in these areas means a great deal to Western Australia. It provides the capacity for industry to establish or expand in the State and a strong demonstration vehicle for a range of enhancements to our urban and community infrastructure.

The current period of economic growth has seen considerable pressure placed on regional infrastructure, particularly land and housing needs. LandCorp is working hard to ensure that urban developments and industrial land are available to support that growth.

Current land use must not reduce the social, environmental or economic potential of future generations. This is why LandCorp seeks to deliver the most sustainable outcomes possible from its activities, and why we encourage suppliers, consultants and the wider industry to walk a similar path.

Terry Budge Chairperson

Chief Executive's report

LandCorp's success comes from taking a long-term view, maintaining networks and relationships, developing systems, solving problems, building business reputation and developing viable financial arrangements. This mix of expertise and performance delivers us opportunities and future projects.



As a Schedule One Government Trading Enterprise, our commercial approach requires us to optimise financial performance while focusing on a triple bottom line approach to achieving broader social, environmental and economic goals.

This report is one means of ensuring that we actively communicate LandCorp's performance in these fields to our stakeholders. Ongoing efforts to lift our communication are a vital part of our business model with well informed stakeholders essential to a sustainable LandCorp.

LandCorp has greatly benefited from the guidance and strategic goal-setting provided by our Board through the four guiding principles that underpin our activities.

These strategic principles allow LandCorp to provide leadership and aggressively seek opportunities in an increasingly active industry. They also drive our efforts to deliver against Government, industry and community expectations.

Future success challenges all organisations. Changes to our governing legislation have given LandCorp flexibility to continue to deliver innovative projects that will benefit the people of Western Australia.

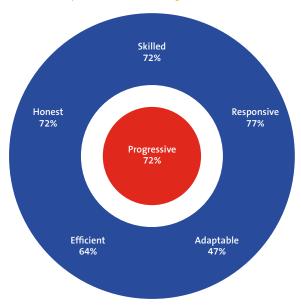
Ross HoltChief Executive

LandCorp's role in Western Australia

LandCorp ensures the State's future land needs are met, with an adequate return to Government. We do this by:

- Developing industrial land;
- Participating in urban development and renewal projects where unique opportunities or constraints exist;
- · Disposing of surplus Government property assets; and
- Providing project and facilities management and expert property services to Government.

LandCorp brand bullseye



Figures shown represent percentages of key stakeholders who believed LandCorp demonstrated each value. (From research carried out at the end of 2004.)

LandCorp focuses on:

- Implementing innovative delivery models;
- Working with the private sector;
- Meeting Government's needs and expectations;
- Reporting and benchmarking the successes of industrial projects, urban projects and Government asset disposals;
- Lifting returns to Government; and
- Communicating effectively with key stakeholders.

The four pillars

Four guiding principles have been developed to give effect to our corporate objectives. We strive to:

- Increase market leadership;
- Fulfil shareholder objectives;
- Lift financial and operational performance; and
- Increase private sector linkages.

Our commitment to sustainability

LandCorp does not see sustainability as optional.

Sustainability is the way of the future for land development and it is a critical and permanent element of our corporate ethos.

Sustainability is all about meeting the needs of current and future generations through the integration of environmental protection, social advancement and economic prosperity.

Progress through collaboration

LandCorp operates throughout the State to develop land for the benefit of all Western Australians.

Adding social and economic value to local communities means working at grassroots levels with councils and their constituents to provide for their needs without compromising the future.

This means paying particular attention to talking with community members, and their civic and business leaders. Stakeholder reference groups are now LandCorp's standard way of doing business, ensuring that local opinions and ideas are able to be considered.

Developing a respected brand

LandCorp is well recognised by the public and the development industry. Maintaining our reputation is important if we are to continue to be a principal player in the industry.

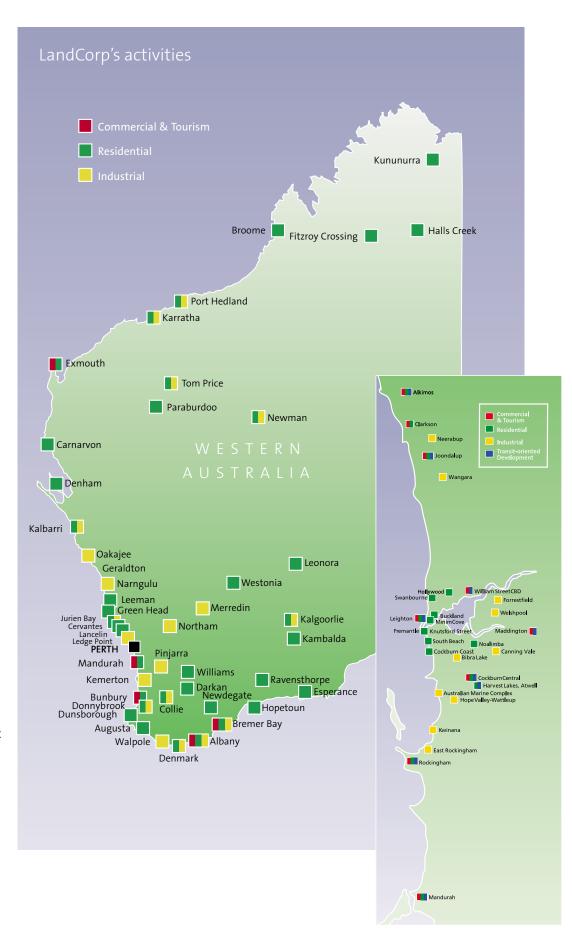
The values for which the organisation stands have been represented in the brand diagram at left. These values have been embraced by our entire staff.

Our projects, our corporate behaviour and our marketing are routinely tested against these values, in particular the core value of 'Progressive'.

An eye on the big picture

LandCorp projects always consider the needs of the State Government and the wider community <u>development</u>. Following are a few recent examples of very effective collaborations that have served both local needs and the bigger picture:

- Working to resolve Native Title, heritage and local planning issues to provide the capacity for additional residential land to meet the expansion needs of resource companies in the North West at Port Hedland, Broome and Karratha;
- Working with the City of Albany to establish the business model to develop a world-class waterfront development to meet community needs and expectations;
- Providing staff and services to the Armadale Redevelopment Authority to enable that Authority to address the range of challenges facing the South East Corridor in terms of housing diversity, a lively central business district and enhanced employment opportunities;
- Providing infrastructure and facilities management at the Australian Marine Complex at Cockburn Sound to drive economic growth in the marine construction industry and provide support for the defence and oil and gas industries.



LandCorp operations

Locations	Attributes		Current Status	Features
Urban - Transit-oriented	l Development	ts		
Cockburn Central, Jandakot	Developed Remaining	0 ha 40 ha	Earthworks underway in conjunction with Southern suburbs rail link.	Rapid transit station, recreational facilities, Government services, retail and residential developments.
Guildford Train Precinct 13kms from Perth	Proposed	2.3 ha	Consultation with community underway for feasibility and design.	Centred around Guildford train station - potential for residential, mixed use and commercial development.
Urban - Brownfields and	d Infill Projects	i		
Swanbourne St Precinct, Fremantle	Developed Remaining	0 ha 10 ha	Demolition and site clean up commenced on portion of the site. Subdivision works to establish a residential estate to commence in 2005.	Remediation and revitalisation of a disused industrial area to residential.
Knutsford St, Fremantle	Developed Proposed	0 ha 11 ha	Structure planning advertised for public comment in June 2005.	LandCorp entered into a MOU with the City of Fremantle to plan for the revitalisation of this industrial area to mixed use residential development on City and private land.
South Beach, Fremantle	Developed Proposed	0 ha 4.3 ha	Remediation works being finalised. Subdivision works to commence following environmental clearances.	Revitalisation of former industrial area for residential development. Will require remediation work.
Robb Jetty, Hamilton Hill	Developed Proposed	0 ha 40 ha	This land forms part of the Cockburn Coast vision area. A dialogue with the community was conducted in May 2005. Technical studies and structure planning to follow.	Revitalisation of under utilised coastal industrial land for urban mixed use development.
Waterfront Village, Rockingham	Developed Proposed	0 ha 16.8 ha	The Village Green and new Anzac Memorial completed in August 2005. Subdivision works on the first stage of residential development to commence in November 2005.	MOU and cost sharing agreement with City of Rockingham instrumental to starting this project for the revitalisation of the traditional Rockingham town centre.
Urban - Waterfront Dev	elopment			
Mandurah Ocean Marina	Developed Remaining	59.5 ha 3 ha	Completion of construction works planned for 2005-06 at this award winning marina.	Provides tourist, marine, commercial and residential components for local and visiting community.
Urban - Estate Developr	ment			
Karlkurla Grove/Karlkurla Rise Estate, Kalgoorlie	Developed Remaining	6.6 ha 55.7 ha	54 lots at Stage 1a released in 2003, and 68 lots in 2005.	Prime location situated in the North West sector of Kalgoorlie.
Harvest Lakes, Atwell	Developed Remaining	560 lots 440 lots	Stage 5B comprising 75 lots on sale, progressively developing remainder.	One of Australia's largest GreenSmart developments promoting sustainability initiatives.
Alkimos, Eglinton	Developed Remaining	0 ha 1300 ha	MRS Amendment being progressed. DPS and TPS Amendment to commence mid 2005.	Regional centre, district centre, coastal nodes, 3 train stations, industrial land. Waste and ground water treatment plants, POS and foreshore reserves, and diversity of residential uses.

Locations	Attribute	S	Current Status	Features		
Urban - Joint Venture Init	iatives					
Hollywood Residential Estate, Hollywood			Environmental clean up and remediation is now complete and verified. Subdivisional works are under-way with lot sales commencing in late 2005.	A joint venture with Mirvac Fini will see the Nedlands character retained with mature trees kept or transplanted within the estate. Close to entertainment and retail areas.		
Former Swanbourne High School, Swanbourne	Developed Remaining	0 56 + lots	Rezoning to residential. Sales expected from September 2006	Quality residential development offering a range of land options in established and sought-after ocean side suburb		
Mandurah Ocean Marina	Construction demonstrate	ns, will be buing the application in the applications.	with our joint venture partner Doric ilding residential apartments to tion of the design criteria with will commence in late 2005.	The ideal aquatic playground offering a coveted lifestyle associated with glorious beaches, fine fishing and abundant water sports.		
Noalimba, Bateman	Developed Remaining	•	LandCorp has entered into a joint venture with Cape Bouvard to build a number of residential units.	The higher-density living will be located close to the Bull Creek rail station and provide a range of grouped dwellings.		
South Beach, Fremantle			A joint venture for the built development is now under consideration to deliver a thriving social, economic and environmentally sustainable outcome	Located at the end of South terrace, adjoins a private residential project and is part of the South Beach Structure Plan.		
Harvest Lakes, Atwell	The Element	S	Western Australia's first project home specifically built to demonstrate core components of sustainable living in conjunction with National Homes.	Located in one of Australia's largest GreenSmart estates, <i>The Elements</i> shows that sustainable homes are affordable.		
Industry - Heavy						
Burrup Service Corridor Burrup Peninsula			naged the \$16 million Burrup service corridor w r new industry in the Burrup area and the Damp			
Industry - Special						
Australian Marine Complex Henderson, 255 ha	resource ind company's a	ustries. This i t the facility.	ine Complex (AMC) offers opportunities associated with clustering of the marine, defence and This is the largest such complex in Australia with international, national and local marine based cility. Australia's naval defence capability for the Indian Ocean region is in close proximity.			
		•	adjoining precincts: a Marine Support Facility with Australia's largest	chin lift		
	-	_	largest in area and the most diverse in marine ar	·		
	Fabrication -	· includes a C	· ·	metres fabrication hall, 3,000 and 15,000 tonne		
	Technology - set in 49 hectares this precinct is available to private and educational sectors for the establishment of research and technology based activities. Support facilities will include a state-of-the-art function centre and a bus and technology centre.					
Industry - General						
Cockburn Commercial Park Bibra Lake	Developed Remaining	19 ha 67 ha	Stage 1 (43 lots) is under construction with 37 two has begun marketing for availability in mid			
Access Park Industrial Estate, Forrestfield	Developed Remaining	61 ha 0 ha	Stage 2 has seen all lots sold. Negotiations are Forrestfield and Hazelmere.	in hand to seek further land opportunities in		
Hope Valley-Wattleup Redevelopment Project	Developed Remaining	0 ha 1,000 ha	The master plan has been approved by the Mir underway for delivery in December 2005, with			
Anzac Drive Industrial Estate, Kalgoorlie	Developed Remaining	20 lots 21 lots	Stage 1 construction is now complete, titles wi lots have pre-sold. Other stages will follow dep	ll be available in October 2005. Twelve of the 20 ending upon demand.		
Enterprise Park Industrial Estate, Wangara	Developed Remaining	96 ha 88 ha	Stage 7 (19 lots) was all sold before titles were seeking approvals for 36 lots to be marketed in early 2006. Four more stages will follow as dem	late 2005 with construction to commence in		

2004-2005 overview

Driven by the State's buoyant economy, demand for all types of land continues to be high in Western Australia, with the take-up of industrial lots from LandCorp at record levels.

Industrial

Canning Vale, the iconic industrial estate in Perth for the past 25 years, saw the final lot sold in 2005.

Strong demand at LandCorp's Enterprise Park Wangara delivered record sale prices for the estate.

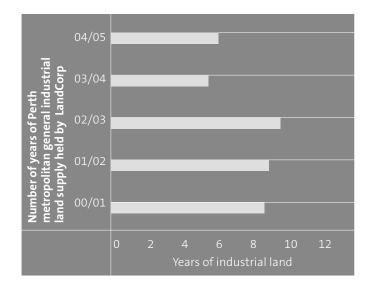
In Forrestfield, the Access Park Industrial Estate has sold out, while at Kalgoorlie's Anzac Drive Industrial Estate and Cockburn Commercial Park at Bibra Lake over half of the available lots on current release have been pre-sold.

It is a similar story over much of the State.

LandCorp has increased levels of industrial land supply and its industrial land bank to cater for future demand during the past year notwithstanding long lead times needed for statutory planning and environmental approvals.

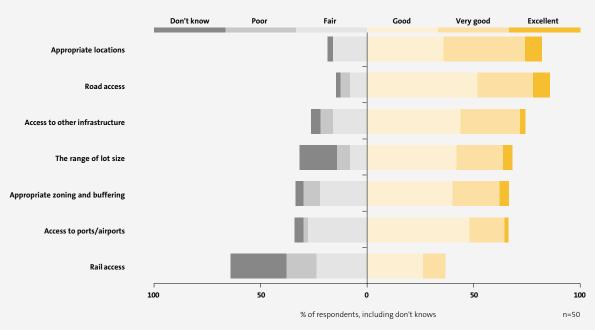
The Hope Valley-Wattleup Redevelopment Project between Fremantle and Rockingham is one of the largest ever industrial redevelopments undertaken in Australia.

It will deliver a sustainable mix of commercial and industrial precincts covering more than 1,000 hectares in Perth's south-west corridor and provide much of the industrial land needed to support the State's economic growth in this region for the next 30 years.



How suitable is LandCorp's industrial land?

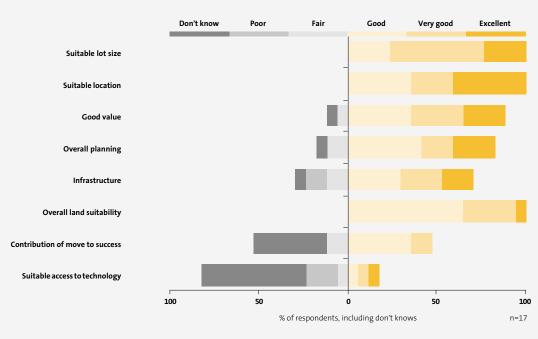
Industrial land stakeholders



Market Equity research 2004/05

How suitable is LandCorp's industrial land?

Industrial land buyers



Market Equity research 2004/05



Developing regional WA

LandCorp is active in more than 75 townsites in Western Australia's regional areas, and we are consulting with more than two thirds of the State's local government authorities. These development activities make a significant contribution by facilitating community development along with business investment and diversification in regional economies.

LandCorp's supply of industrial land across Western Australia continues to support regional economies particularly in response to the high levels of resource-led investment. Our \$16 million 4.3 kilometre east-west service corridor on the Burrup peninsula was part of a State Government infrastructure package enabling the movement of products between as many as four gas-to-liquid projects on the Burrup and the Port of Dampier.

In Kalgoorlie, demand for LandCorp's recently released Anzac Drive Industrial Estate has demonstrated the strength and breadth of regional growth.

Waterfront developments mooted for Albany's spectacular Princess Royal Harbour and at Bunbury's Outer Harbour will add enormously to the economies of these communities. LandCorp's thrust of focussing on the rejuvenation of underutilised land has similarly led to the very successful and now iconic Mandurah Ocean Marina and Bunbury's Marlston Hill.

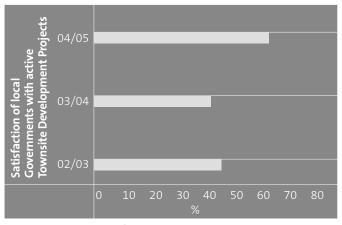
Helping towns to grow

LandCorp's Townsite
Development Projects aim
to provide sufficient light
industrial, commercial and
residential land to stimulate
social and economic growth
in regional towns, creating job
opportunities, and catering
for existing and new residents
and tourists.

This task in regional towns is made possible through constructive partnerships with local government authorities and other stakeholders, ensuring sustainable growth for regional Western Australia.

Projects outside of the metropolitan area represent over 50 percent of LandCorp's total development portfolio.

Through extensive community consultation, LandCorp ensures that the objectives of these projects are met and community expectations are satisfied. LandCorp is also represented on numerous regional steering committees and regional development commission taskforces aimed to shape and monitor major development initiatives.



Market Equity research 2004/05

Townsite Development Projects currently underway

Project	Council/ Shire	Land Use Type	Project Area	Status/Details
Cable Beach - Januburu Six Seasons Estate	Broome	Residential	35 ha plus 7.5 ha environment cultural corridor.	Total 293 lots. Stage 1 - 61 lots available March 2006 - average size 700m². Construction to commence late 2005.
Dunsborough	Busselton	Residential	2 ha	26 lots in Birds Crescent sized 450m²to 550m², plus one 958m² multi residential lot zoned R30. First auction planned for March 2006.
Exmouth	Exmouth	Mixed-use	3.15 ha	15 lots - average size 2100m². Available late 2005.
Exmouth - Snapper Loop	Exmouth	Residential	10 ha	Total of 69 single residential lots and one grouped housing site. Stage 1 - 22 lots - average 780m² - available end 2006. Stage 2 - 47 lots - average 595m².
Green Head	Coorow	Residential	Stage 1 - 14 ha	Total 123 lots. Stage 1 - 47 lots - available from October 2005.
Hopetoun - Mary Ann Waters	Ravensthorpe	Residential	Stage 1B	20 lots - average size 718m². Available from September 2005. 10 lots to Ravensthorpe Nickel Operation (RNO).
			Stage 1C	30 lots - average size 717m². Available December 2005. 12 to RNO.
			Stage 2	152 lots - subdivision plan approved.
Kambalda West	Coolgardie	Residential & light industrial	Existing Lots 3.3 ha	19 lots - average size 931m² (residential) and 2141m² (industrial). 6 residential and 8 light industrial lots released July 2005 - average size 750m².
Kununurra	Wyndham-East Kimberley	Residential	9.85 ha	80 lots - average size 909m². Stage 1 - 43 lots - released September 2004 Stage 2 - 37 lots - released August 2005.
Merredin	Merredin	Light industrial	10 ha	16 lots - average size of 6600m². 10 lots sold and 6 on market.
Newman	East Pilbara	Light industrial & residential	Industrial - 30ha	Industrial - Stage 1 - 9 lots - average size 3300m² available end 2005.
			Residential	Residential - staged release of up to 200 lots in a variety of locations from mid 2006.
NorthWater	Carnarvon	Residential	3 ha	Stage 2 - 36 lots from 560m² single residential to 3520m² group housing lots including 19 waterfront canal lots.
Pretty Pool	Port Hedland	Residential	19.5 ha	Total 215 lots. Stage 1 - 50 lots. Average size 570m² available early 2006.

Our performance

The matrix that follows provides a snapshot of LandCorp's progress in 2004-2005 against each sustainability indicator. A green dot means that our indicator has been met, orange suggests significant progress, and red indicates an area where considerable work is still needed.

We have now been measuring LandCorp's sustainability efforts against these indicators for over 12 months. We recognise the indicators will need to be constantly scrutinised, and we expect that they may be modified, added to, or even dropped, as the value of each becomes apparent over time.

The indications in this matrix are internal assessments. External verification is to follow.

- On track Indicates LandCorp is consistant in its ability to deliver and report against this indicator
- Progressing well, but ongoing work is required Indicates LandCorp is consistant in its ability to deliver and report against this indicator but further work is needed
- ark required Indicates that

M	ore work required - Indicates that more work is required to deliver and adequately report against	this i	ndica ⁻	tor	
N	ot Applicable	Environ:	_		
	Process indicators	ٽ آپ	, je	anomic	Related
	Industry and stakeholders	OCIA	Cher.	ONJ.	information on these pages
P1	Industry leadership			<u> </u>	17, 26
• •	Provide opportunities for education and fostering communication				17,20
P2	Government and industry partnering				17, 20, 26
	Partnering across the land development sector to jointly implement sustainable practices	_			, , ,
Р3	Program sponsorship				20
	Provide and/or support incentives to encourage sustainability programs				
	Stragegic and innovative projects				
P4	Strategic and innovative projects				17, 20
	Meet the Government's strategic land development targets and set trends through innovation and demonstration				
P5	Awards received				18
	Report third party recognition of LandCorp's sustainability initiatives				
	Development outcomes				
P6	Project initiation and planning				17, 26, 32
	Set and measure goals for excellence in social, economic and environmental achievement for all our projects				
P7	Environmental protection				26
	Ensure all our projects are designed and developed to reduce impacts on existing biodiversity				
P8	Building performance design guidelines		ш		18, 26
	Contribute to the improved performance of WA's building stock across all of LandCorp's program areas				
P9	Partners and suppliers				18, 20, 27, 34
	Ensure LandCorp's sustainability goals and expectations are understood and achieved by consultants, contractors and suppliers				
P10	Community consultation, engagement and participation				21
	Effectively engage the community in the planning and implementation phases of development of land and estates				
P11	Community education on sustainable living				21, 33
	Promote a culture of more sustainable living through education and communication				
	Outcome indicators				
	Land and transport				
01	Land-use				18, 21, 27
	Increase land-use efficiency through urban infill and brownfield development				
02	Transit-oriented Development				22, 27
0.5	Transport planning integrated into developments				22
03	Development density and diversity				33
04	Create more compact and diverse urban development Land remediation				20
04	Remediate site contamination on all affected projects				28
	Remediate site containination on all affected projects	1		I	

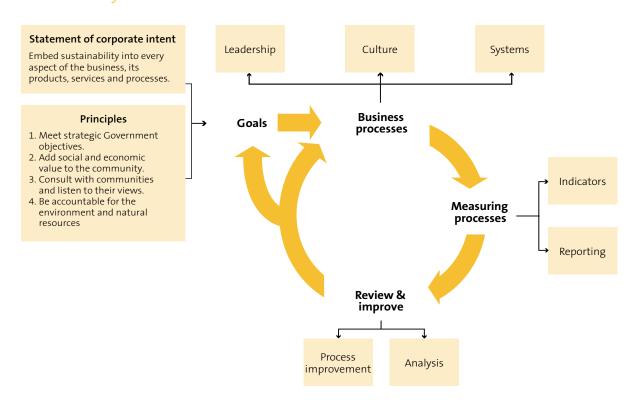
	ų	rount	Ecol.	domic .	Related information on
	Forlows	3 /	g)]; 	these pages
05	Ecology Biodiversity retention				28
	Maintain existing biodiversity, local flora and habitat		_		
06	Restoration of natural ecosystems				28
	Integrate conservation, remediation and protection of native ecosystems, including significant wetlands and waterways, with development activities				
07	Regulatory compliance				28
	Eliminate breaches of statutory environmental regulations				
	Energy and resources	_			
08	Energy efficiency				28, 33
09	Improve total energy efficiency in LandCorp developments Renewable energy				29, 33
09	Support global and Government commitments to reduce greenhouse gas emissions through	_	_		29, 33
	take-up of renewable energy solutions				
010	Materials				29
	Reduce the material intensity embedded in LandCorp's developments				
011	Reuse/recycling of construction and demolition materials				29
	Support Government's commitment to achieve zero waste to landfill by 2020 Water				
012	Water Conservation and reuse				22, 29, 33
012	Reduce per-capita water consumption in LandCorp developments		_		22, 23, 33
013	Stormwater management				22, 30
	Ensure the quality, quantity and discharge rate of stormwater run-off does not adversely				
	impact groundwater or watercourses, or create erosion				
	Community	_			
014	Affordable housing				23, 33
015	Improve the supply of social and affordable housing stocks Diversity of housing and buildings				21
025	Increase the diversity of housing stock	_	_		
016	Cultural heritage				7, 21
	Identify and protect places of Aboriginal and historic cultural heritage				
017	Community development				7
	Enhance community development through careful and considered planning and provision of community facilities and development activities				
	Economy				
018	Economic impact				32
	Ensure LandCorp's projects deliver broad economic benefits to the State				
019	Net sales				34
000	Identify the total revenue flows arising from LandCorp's operations				
020	Breakdown of markets Identify the breakdown of monetary flows by geographical and market sector				34
021	Capital expenditure				34
-	Deliver land to meet the needs of the State through orderly program expenditures				
022	Return to Government				17, 32
	Provide an adequate return to Government				
023	Efficient use of capital resources				34
	Ensure LandCorp's capital resources are efficiently employed in its programs Workplace				
024	Employee satisfaction				24
01 .	Ensure that a high level of employee satisfaction is maintained through effective management	_			
	practices and corporate policies				
025	Equal employment opportunity/diversity				24
	Promote diversity in employment and workforce				
026	Workplace culture Employee commitment to organisational values and heliefs				4, 6
027	Employee commitment to organisational values and beliefs Employee health and safety				24
021	Maximise the safety and wellbeing of employees, contractors and suppliers				
028					24
	Workforce equipped to achieve LandCorp's business objectives				

Sustainability and LandCorp

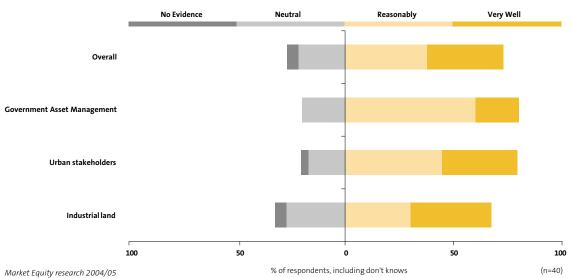
One of LandCorp's challenges is to better align our data collection processes to reflect the reporting imperatives on the previous pages, so providing ever more meaningful information. Our sustainability framework provides a strategy for continuous improvement in this area, through:

- Setting goals consistent with our higher-level strategic objectives;
- Developing business processes to drive progress towards the goals;
- · Measuring progress by reporting against carefully defined indicators; and
- Analysing the reporting to improve our business processes and refine our goals.

Sustainability framework



How well has LandCorp demonstrated the State's sustainable approach?



Overall sustainability performance

Hereafter in this report, our Process and Outcome indicators have been underlined. These have been cross-referenced on pages 14 and 15.

To make sustainability an intrinsic part of our <u>project initiation</u> and planning process, LandCorp has made sustainability KPIs (Key Performance Indicators) mandatory for all projects. These have now been integrated into our electronic project information system, a major commitment made in 2004.

And we have continued to drive this sustainability approach further.

Expression-of-interest documents for our joint ventures include mandatory sustainability criteria. A number of projects, such as Leighton and Anzac Drive Kalgoorlie, have specific sustainability criteria included in design guidelines.

Project procedures and management were refined in a number of key areas, including approval delegations, contractor prequalification and consultant panels. A new system was introduced to strategically deploy LandCorp's project manager resources across projects.

The graph on page 16 suggests that people believe LandCorp has suitably demonstrated its contribution to State sustainability.

One of LandCorp's four guiding principles outlined by the Board is to fulfil shareholder objectives — our shareholders being the people of Western Australia represented through the State Government and the Minister for Planning and Infrastructure.

We support this principle by pursuing <u>strategic and innovative</u> <u>projects</u> to meet the Government's land development targets and set trends through innovation and design, and our <u>return to Government</u>. This has been consistently achieved over the past five years, and this year's financial return was at a record level of \$74 million.

LandCorp is now developing strategic and innovative projects in industrial and urban settings. These include urban projects like Harvest Lakes, industrial estates such as Cockburn Commercial Park and regional projects such as Januburu Six Seasons in Broome.

<u>Government and industry partnering</u> is addressing all four of our Board's guiding principles. LandCorp is working across the land development sector to jointly implement sustainable practices through:

- Signing a heads of agreement with the Master Builders Association to advance innovation in industrial developments;
- Working with the Department for Planning and Infrastructure's Sustainability Directorate to trial the BASIX computer assessment tool for WA applications at our sustainable demonstration project home The Elements at Atwell;
- Working with the Water Corporation on its water cycle project in developing the 'Waterwise Developer' category as an evolution of the Waterwise Display Village category;
- Signing a memorandum of understanding with the City of Fremantle to develop best possible outcomes for a number of sites considered suitable for development and assist in building a more sustainable Fremantle.
- The Elements sustainable demonstration project home in partnership with National Homes

LandCorp continues to express <u>industry leadership</u> through direct support or participation in a number of functions, events and speaking opportunities such as:

- The Property Council of Australia (WA) WA Residential Development Conference, May 2005.
- Government Land Agencies (Australia-wide) Approach to Sustainable Development Workshop, April 2005.
- The Port Hedland Urban Development Workshop –
 April 2005 where mining companies, private sector
 developers and builders, and state and local Government
 agencies discussed and resolved land and accommodation
 issues in the Pilbara.

Overall sustainability performance (cont.)

On a project level, our <u>building performance design guidelines</u> contribute to Western Australia's building stock becoming more sustainable over all areas of our operations, including industrial.

The way <u>land use</u> is maximised is very important in ensuring a sustainable outcome for the State.

LandCorp is working to reduce urban sprawl by providing a wide choice of affordable lot sizes and working with Government to put 'idle' Government land – such as at the former Hollywood High School – to alternate uses.

Uncontrolled urban sprawl impacts our air quality as we use more private transport, and makes our public transport more expensive through having to serve lower population densities.

We continue to work with our <u>partners and suppliers</u> to ensure LandCorp's sustainability goals are understood and achieved by consultants, contractors and suppliers.

All project briefs include increasingly detailed sustainability criteria to be addressed by consultants and project teams.

This year saw LandCorp recognised for its work in sustainability with a high number of awards received:

- 2005 HIA GreenSmart Professional of the Year. LandCorp is the first organisation to be awarded this prestigious award.
- 2004 Urban Development Institute Australia (UDIA)
 Awards for Excellence, Environmental Excellence Award
 - Harvest Lakes, Atwell
- 2004 Urban Development Institute Australia (UDIA) Awards for Excellence, Water Sensitive Urban Development Award
 Harvest Lakes, Atwell
- 2004 Premier's Awards High Commendation Mandurah
 Ocean Marina, Category: The Regions. A joint submission
 with City of Mandurah and Peel Development Commission.
- 2004 Accessible Communities Awards High Commendation
 Category Two Progress Towards Accessible Communities
 by State Government Agencies Mandurah Ocean Marina.
- At the recent Australian Marine Industries Federation Australian Marine Awards, Mandurah Ocean Marina won
 two of four Marina Awards. They were Australia's Marina
 of the Year Award for 2004 and the Recreational & Tourism
 Award for excellence in customer service, user facilities,
 environmental emergency and maintenance procedures.
 The Mandurah Offshore Fishing and Sailing Club also won
 the Marina Club Award, recognising the club for service to
 the community.
- 2004 Banksia Award Finalist Category 3 Government Leading by Example for a Sustainable Future.
- 2004 HIA GreenSmart Development of the Year
 Harvest Lakes, Atwell



Social

Outlined its vision for Western Australia's sustainable future, and has put in place its State Sustainability Strategy to guide efforts for achieving that vision. One of the Government's six goals of sustainability is "to ensure that the way we govern is driving the transition to a sustainable future".



LandCorp's Government and industry partnering provides a tangible framework against which Western Australians' can judge the impact of sustainable living through using design and construction guidelines LandCorp and its joint venture partners and suppliers are able to provide urban developments and individual housing as examples for the future.

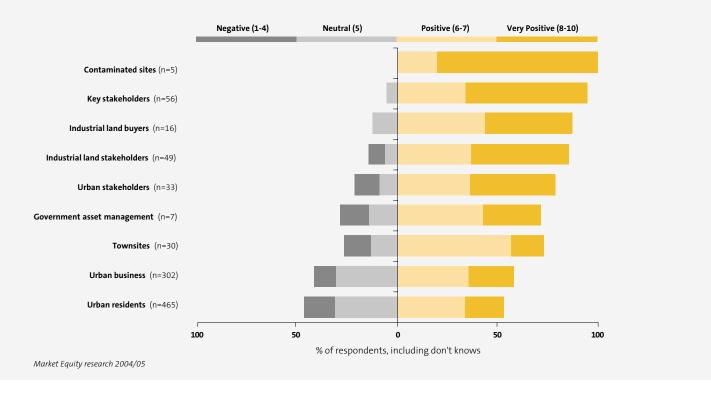
Strategic and innovative projects such as Harvest Lakes will allow people to take advantage of fast and efficient public transport systems, and facilities and infrastructure that heighten a sense of community.

LandCorp is also focused on providing industrial land developments that offer choice for community members in deciding where to work and live. This land needs to have more than just the correct zoning – it must also provide attractive streetscapes, and be convenient to key transport and service corridors to attract and retain industries and their employees.

LandCorp's <u>sponsorship program</u> encourages and promotes sustainability within the land development and building industries. Some of the significant current sponsorships include:

- The Housing Industry Association's GreenSmart Awards which reward the design and the use of benchmark technology to reduce impacts on the environment.
- The Property Council of Australia and its advocacy within the industry in general, but particularly the residential sector.
- The Urban Development Institute of Australia to promote a number of dialogue opportunities for the industry, and their Excellence Awards.
- A number of dialogue events organised by the Planning Institute of Australia.
- A number of local community support opportunities.

Overall impressions of LandCorp



Community consultation

Market research is conducted for LandCorp, with a combination of telephone surveys and one-on-one interview surveys with key community stakeholders, both in the metropolitan area and in regional centres.

<u>Community consultation, engagement and participation</u> is one of the keys to successful land developments. We ensure that community consultation is a standard part of LandCorp's project development strategy.

We have been part of a very successful engagement with Aboriginal people in the State's north. Working with the Rubibi community and the Kimberley Land Council, a Native Title agreement for the release of 42.9 hectares of land (with 32.5 hectares available for development) near Cable Beach in Broome was negotiated.

One of the features of this agreement is the protection of <u>culturally significant</u> walk trails and native vegetation clusters within an environmental and cultural corridor that occupies more than 17 per cent (7.5 ha) of the total area. The Rubibi will have an ongoing participation in the development of the Januburu Six Seasons Estate.

This follows similar consultation success at Kununurra and Karratha.

LandCorp has also demonstrated its commitment to consultation in the metropolitan area, in projects at Leighton and South Beach in Fremantle, the ongoing development at Harvest Lakes, and the former Swanbourne primary school site.

As part of our <u>community</u> education on sustainable living, LandCorp distributes "Sustainable Living" packs to consumers at current and future projects. We have conducted "Building Green" workshops at Harvest Lakes and use *The Elements* sustainable demonstration project home as an on-going education resource. The first two months of *The Elements* being opened to the public (May, June 2005) saw more than 500 people visit.

Reducing urban spread

Increasing the efficiency of <u>land use</u> has a considerable effect on the sustainability of communities. Some subdivisions marketed over previous decades contributed to urban sprawl. Modern developments provide community infrastructure, putting the 'community' back into the suburb.

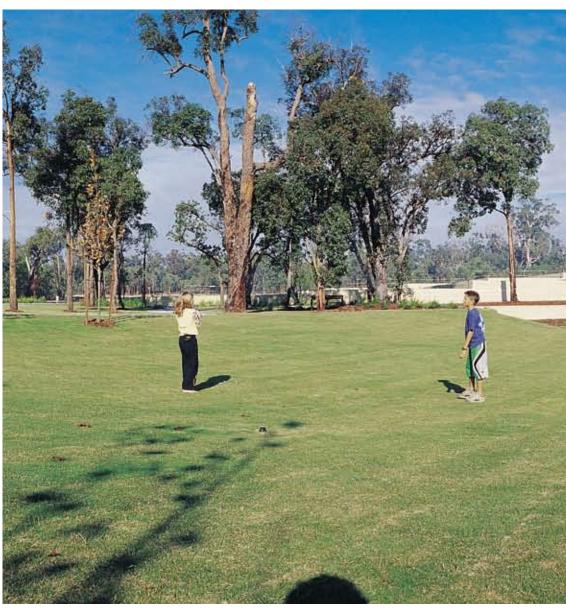
Changing existing industrial land use to residential use in established suburbs (brownfield developments) and increasing the density of non-industrial land in residential areas (infill developments) will increase their social amenity and diversity of housing and buildings. Increased population densities demand more social infrastructure, while these developments also tend to introduce or improve public transport.











Creating connected communities

<u>Transit-oriented Development</u> is one of the most significant trends in maximising land use and providing appealing communities.

LandCorp projects setting benchmarks in this field include Leighton Beach, Joondalup, William Street in Perth's CBD, and areas of suburbs adjoining the Armadale and Midland rail lines at Maddington, Gosnells, Thornlie and Guildford. The development of the southern suburbs rail link has seen LandCorp planning transit-oriented projects in this urban corridor at Harvest Lakes, Cockburn Central and Rockingham.

Protecting every drop

Providing sufficient water for the State's population in our dry climate is of paramount importance. LandCorp is establishing demonstration housing developments and working with joint venture partners to demonstrate in-house initiatives to help reduce water use and increase recycling.

We are also increasing <u>water conservation and reuse</u> through setting mandatory requirements or by giving incentives to purchasers. These demonstration and education programs will help the wider population understand that sustainable water use does not mean an end to attractive gardens or parks.

The Harvest Lakes project in Atwell has won the Urban Development Institute of Australia's Water Sensitive Urban Design Award for total water cycle management, including stormwater management.

Proper management of stormwater run-off helps protect the surrounding land, groundwater and watercourses, in both the short- and long-term. Thus, new LandCorp developments minimise damaging run-off to surrounding properties while protecting the habitats of wildlife living in or near-by.











Access for everyone

The State Government requires LandCorp to help provide affordable housing. To meet this need, LandCorp offers the Department of Housing and Works access to five percent of dwellings in existing LandCorp estates, and up to 15 percent of the total dwellings in any new estates based on surplus Government land.

As a result of this agreement, the Department of Housing and Works has earmarked an aged-persons development for the Noalimba site in Bateman. The Department was also able to secure land at Ocean Rise Karrinyup, and opportunities are being pursued at a number of other LandCorp sites across the State.

In addition, LandCorp works with builders to identify innovative land development and built form approaches which enable more affordable products to be offered to the market.

Caring for our staff

Within LandCorp, a number of indicators are monitored to ensure that our people, who play such a critical role in defining LandCorp and its services, are being provided with support at industry best-practice levels.

While LandCorp is an employer of choice in our industry, having our employees perform at best practice levels does not happen without investment. Constant attention is given to ensuring the skill base and commitment of our people matches our stakeholder expectations.

Like most in the land development and building industries, LandCorp had difficulty sourcing appropriately skilled staff during 2004-05. This was mitigated in part by LandCorp's Graduate Program, now in its third year. Two graduates rotated through all areas of our operations over a six-month period prior to working alongside experienced professionals in their field of expertise.

Key elements of LandCorp's human resource management systems were changed over the year.



A new management information system for human resources was implemented to allow better decision-making. Classification, remuneration and performance management policies and practices were reviewed and substantially amended, based upon property industry benchmarks and other comparative analysis. LandCorp's approach to recruitment was modified, with new practices and policies more closely matching those adopted by the development industry.

The Summary Report of LandCorp's Employee Opinion Survey from December 2004 shows that the average rating of employee satisfaction was 70%, a pleasing result consistent with last year's outcome.

Through effective management practices and corporate policies, LandCorp is performing well in terms of the motivation and morale of its staff. Indicators across all primary measures are functioning within or above industry benchmarks. LandCorp's full-time equivalent workforce was 88, with the majority of our employees being permanent. Staff turnover was 13 per cent, with 24 new staff joining LandCorp over 2004-05.

All LandCorp human resource procedures, including recruitment, selection and training, are based on equal-employment opportunity principles. Training is provided to all new starters on EEO matters and an Acceptable Workplace Conduct document is given to all new starters to promote awareness of and compliance with EEO principles.

LandCorp's employee health and safety record is excellent. There were no lost-time injuries recorded for the year. One new worker's compensation claim was lodged and there are no outstanding claims from previous years.

New employees are provided with an occupational health and safety orientation, and workstation setup and ergonomic assessments are conducted.

Site safety continued to be the primary area of focus for LandCorp. Roles and responsibilities for employees, consultants and contractors in relation to site safety were identified and communicated. Prequalified contractors are required to demonstrate they have the relevant accreditation and internal management practices to ensure there are no accidents or injuries on sites. In-house training sessions were held and consultants were briefed.

Our commitment to occupational health and safety includes a corporate health program, flu vaccinations and physical assessments. Additional health and wellness benefits include a counselling service, family leave, vision care, first aid training and a fitness subsidy.

LandCorp encourages the continual development of employees through employee training programs. Nearly two percent of our payroll was invested in staff training and development, including 258 training courses, seminars and conferences. Attendances equated to 100 employee days – or more than 5.5 days training per employee. Courses included personal and professional development, industry conferences, computer training and technical skills.





Environmental

to provide industry leadership by taking opportunities to host and speak at relevant environmental workshops and seminars.

We will also continue <u>partnering</u> with Government and industry to promote sustainable outcomes for projects that we can influence. We are jointly involved in the State water strategy and the Water Corporation's Water Cycle Project to identify and implement innovative water re-use solutions in relevant projects.

The development of regional synergies between industries — using another's waste stream in your own production process to replace the need to use new materials — is being trialled in the Kwinana industrial strip with varying degrees of success. The outcomes of these trials could affect future <u>project initiation</u> and planning for industrial land.

Sensitivity is part of the process

Through design and management, we make the <u>protection of our environment</u> central to all of our projects. At Cockburn Commercial Park and at the Australian Marine Complex Technology Precinct, full environmental management plans are in place. These plans include buffer protection for adjacent wetlands, preservation of existing vegetation, maintenance of groundwater quality, relocation of fauna, and native seed collection. They also include mandatory design criteria as part of the estates.

Through the use of <u>building design guidelines</u>, there is considerable potential for LandCorp to influence energy and water conservation on its developments and to use these practices to educate within wider circles.



At Harvest Lakes estate in Atwell, LandCorp opened *The Elements*, a sustainable project home developed in partnership with National Homes. It is being monitored in terms of thermal performance and results will be communicated as they become available.

LandCorp also trialled the AccuRate computer software for assessing and improving the energy efficiency of house designs and completed homes. This software is the second generation of CSIRO's less complex NatHERs program.





Enterprise Park - Wangara

Transforming land use

LandCorp considers the effective <u>use of land</u> as essential to sustainability. Successful infill and brownfield projects are transforming redundant Government land at Minim Cove in Mosman Park and the former Hollywood High School site into residential communities.

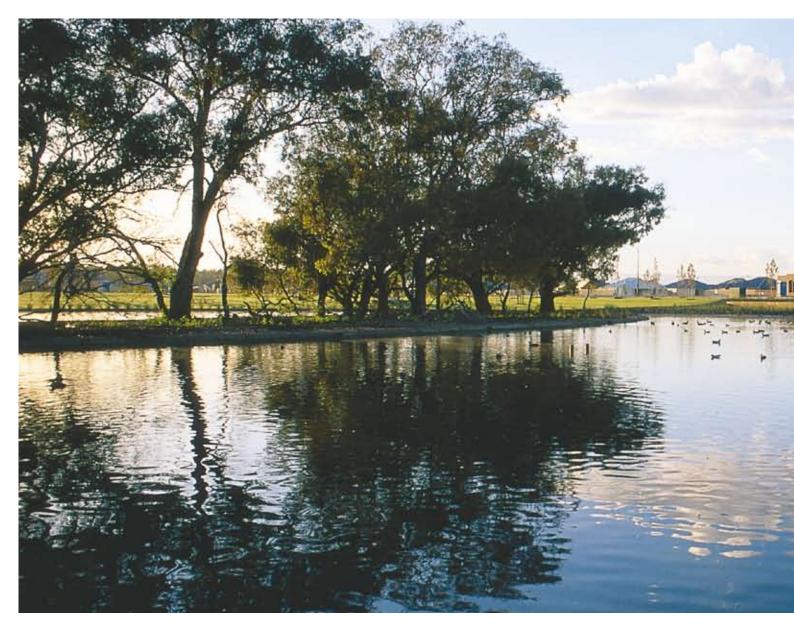
Similar programs at the former Swanbourne High School and the Noalimba accommodation and conference centre site in Bateman have provided further residential land, as well as helping to meet affordable and grouped housing needs.

<u>Transit-oriented Development</u> is a major focus for both the State Government – through its 'Network City' Initiative – and for LandCorp. Using the close availability of public transport, these developments will offer diverse urban environments to match the diverse nature of home buyers.

They will appeal to single people, retired couples, single parents, and people with disabilities, as well as those who just want easy transport and retailing, business and leisure choices close by.

LandCorp is helping to improve the credentials of joint venture partners, suppliers and contractors so they can better deliver on sustainability.

Already in place are contractors' panels, with a number of consultants' panels set up in 2004-05. These panels are bodies of pre-qualified companies that respond to expressions of interest to supply services to LandCorp. Their responses are audited and only those who meet our sustainability requirements are locked in as preferred suppliers for a three-year period.



Setting the environmental bar high

A number of operational requirements ensure that protecting the environment is a priority within LandCorp projects. These include:

Land remediation

LandCorp undertakes environmental due diligence, primarily through soil testing, at all development sites, and not just those deemed contaminated. Understanding a site's past use can uncover problems that may not currently be apparent. Some examples include:

- Anzac Drive Industrial Estate in Kalgoorlie requiring the removal of asbestos
- The Leighton development needing some soil removal
- Fremantle's Knutsford precinct required some hydrocarbon remediation

• Biodiversity retention

This requires careful consideration, given the potentially damaging nature of our business. With careful planning, both greater natural areas and important native species can be incorporated into developments. Two recent examples:

 At the Swanbourne High School site, LandCorp's joint venture partner proposed to retain significant portions of natural landform and existing trees. At the proposed Eighty Road subdivision in Baldivis and the Buckland school site in Mosman Park, tree surveys and arborist reports resulted in the retention of trees within the project brief.

• Restoration of natural ecosystems

This is done on a case-by-case basis. There is sometimes the need to undertake touch-up restoration work. No major projects during 2004-05 required restoration.

· Regulatory compliance

LandCorp's rigorous project development due-diligence process has ensured there were no breaches during 2004-05.

Energy efficiency

To facilitate passive solar design LandCorp's development planning orients more than 75 percent of lots within 15 degrees of north when possible. Examples include:

- Harvest Lakes development in Atwell
- Planned residential lots in Broome
- Cockburn Commercial Park, Bibra Lake

Energy efficiency is mandatory in the design criteria for infill, mixed-use, multi-residential and grouped dwelling projects.



Harvest Lakes

Renewable energy

LandCorp reaches State Government and global renewable energy targets by mandating or by giving incentives to install solar hot water systems in our residential projects. Quantitative research of lighting design for buildings at industrial estates has shown the benefits of minimising energy use and maximising energy efficiency. This research is now helping influence the design and construction of industrial and commercial buildings through new building design criteria.

LandCorp has entered into an agreement with Greenfleet, a national not-for-profit organisation that has planted over two million native trees to sequester carbon emissions and help reduce the greenhouse gas impact of vehicles.

This agreement means 459 trees have been planted by Greenfleet to offset the estimated 121 tonnes of annual carbon dioxide emissions from LandCorp's 27-car fleet.

Materials

We aim to reduce the material intensity of LandCorp's developments. There still needs work to be done on achieving meaningful results against this indicator.

Re-use / recycling of construction and demolition materials
 This is in its infancy within the project management protocols at LandCorp. The former Swanbourne Primary School and Hollywood High School sites have seen the re-use of construction and demolition materials.

Water conservation and reuse

Through program mandating or giving incentives to purchasers, LandCorp fully supports the direction of the Water Corporation's 'Waterwise' program.

LandCorp's Harvest Lakes estate recently opened The Elements joint venture sustainable project home. Water conservation features include: fixtures, appliances, rainwater collection, landscaping, native and drought-resistant plants, and micro-drip irrigation.

Due to the extent of water conservation initiatives found throughout the Harvest Lakes development, the Water Corporation recognised that a new level of certification — the 'Waterwise Development' — may be needed to recognise developers who took water conservation this seriously. This approach is still under investigation by the Water Corporation.

• Stormwater management

This is a critical aspect of project development. A number of initiatives are now in place to better manage, or re-use, stormwater in LandCorp developments.

For example, at LandCorp's planned residential subdivision at Cable Beach in Broome, stormwater will be directed into a series of sumps that will minimise the amount of non-native seeds and plants carried through to the neighbouring Minyirr Coastal Park.

Protection of wetlands and ground water is now a standard feature of LandCorp's environmental management planning. At Kalgoorlie's Anzac Drive Industrial Estate, vegetation is retained on road verges to moderate stormwater flows.

Watching our own backyard

Work within LandCorp continues to lessen the environmental footprint of the organisation.

LandCorp is part of the State Government's Energy Smart Program, which requires agencies to achieve a 12% reduction in stationary energy consumption by 2006-07. Annual energy reduction milestones of 5%, 6%, 8%, 10% and 12% from the 2001-02 baseline year have been established for each year through to 2006-07.

The policy covers all energy used in buildings, plant and equipment by State Government agencies, classified as general Government sector agencies with 25 or more FTEs. Energy used in transport operations is not included in this policy.

Even though LandCorp's office space and employee numbers have grown since the baseline year, these targets have already been exceeded.

Energy Smart Government Program

	2001-02 baseline	2002-03 actuals	2003-04 actuals	2004-05 actuals	2004-05 Variation from 2001-02 baseline data
Energy consumption (MJ)	1,202,834	1,109,605	1,121,907	1,013,429	15.70%
Energy cost (\$)	53,512	49,502	49,494	44,703	16.40%
Greenhouse gas emissions (tonnes of CO ²)	307	284	287	259	15.60%
Performance indicators by e	nd-use category o	ffice - tenant			
MJ/sqm	545	503	509	442	18.90%
MJ/FTE	17,486	14,074	13,199	10,711	38.70%



Economic

responsibility to help maintain Western Australians' current lifestyle. At the same time we need to contribute to our future ability to maintain, or enhance, that lifestyle in a sustainable way. This means having a robust and profitable economic base that provides employment and wealth generation.



Two of the Government's core functions for LandCorp are:

- To provide land for the social and economic benefit of the State
- To identify potential new centres of population, and existing centres in need of redevelopment, and provide or improve infrastructure and facilities for them.

Our approach to <u>project initiation and planning</u> requires us to set and measure goals that fulfil these two functions.

A review of LandCorp's information systems was initiated during the year, and progress was made on enhancing the system to lift productivity. The full benefits from these changes are expected to be shown in the coming year.

The provision of industrial land for the <u>economic benefit</u> of the State is a fundamental and significant part of LandCorp's business. This has obvious implications for the State's economic wellbeing, now and into the future.

Residential land is equally important, given that a significant part of the State's economic activity is focused on that sector. In addition, the development of specific industrial or tourism projects in regional Western Australia is often influenced by the adequacy of housing supplies.

LandCorp is working in a number of regional centres with local councils, companies and other Government agencies, including the Native Title Tribunal, to meet short-term and longer-term housing needs created by the large number of resource projects now underway or planned.

Giving back to WA

Our <u>return to Government</u> for the last financial year was a record \$74 million.

Research undertaken for LandCorp by the Curtin University-based John Curtin Institute of Public Policy formerly known as the Institute for Research into International Competitiveness has found that LandCorp's investment at Enterprise Park in Wangara, will generate an economic impact of more than \$37 billion.

The research estimated that LandCorp will invest some \$101 million over a 30-year period, while the economic benefit estimated to flow from the Park will be spread over a 40-year period.

Once the Park is fully developed, it is estimated employment will plateau at around 13,000 jobs. This will have a substantial direct and indirect impact on the State's economy, as will the resultant economic activity.



These studies allow LandCorp to determine the impact of industrial land developments, through the evaluation of proposed developments and the use of benchmark planning processes.

A wealth of new opportunities

LandCorp has identified a number of sites suitable for redevelopment, particularly in our Transit-oriented Development program.

Based around major transport routes, particularly rail, underutilised land has been identified through the State Government's 'Network City' program.

The benefits that will flow from developments such as Cockburn Central, Maddington or Leighton will add to the State's prosperity and to the local economies.

A master plan for one of Perth's most important industrial developments has been approved. The Hope Valley - Wattleup Redevelopment Project (HVWRP) will provide for industrial development in the south-western corridor for the next 30 years, and is expected to deliver about 10,000 jobs.

Large residential developments at Alkimos Eglinton north of Joondalup and Karnup / Baldivis south of Rockingham will provide significant population centres in the future.

Alkimos Eglinton could see over 50,000 people on a development area of 1300ha. The Western Australian Planning Commission (WAPC) Metropolitan Region Scheme Amendment is expected to be finalised in late 2005.

The proposed 550ha Karnup / Baldivis development straddling both the South Metropolitan Railway and the Kwinana Freeway, is expected before cabinet in early 2006.

Similar effects will flow from infill and brownfield developments as increases in <u>development density</u> and <u>diversity</u> revitalise existing suburban areas, providing larger population bases for existing businesses or attracting new businesses into an area.

Leading by example

The promotion of <u>energy efficiency</u>, <u>water conservation</u> <u>and reuse</u> and <u>renewable energy</u> within LandCorp projects provides <u>community education on sustainable living</u>, giving real examples of cost savings in action. *The Elements*, our joint venture demonstration home at Harvest Lakes, is a significant example of this.

Our provision of $\underline{\text{affordable housing}}$ is encouraging investment into housing by making quality homes in quality developments available to lower income earners. This contributes to the overall wealth of our State.

Solid figures

LandCorp achieved <u>net sales</u> of \$159 million for the financial year 2004-05. This was achieved through the following breakdown of market activities.

Business	Metropolitan	Regional	
Program	Sales (\$m)	Sales	Total sales
Govt assets	62	-	62
Industrial	30	-	30
Urban (metro & regional)	57	10	67
Total	149	10	159

The <u>capital expenditure</u> for LandCorp on land acquisition and development to meet the needs of the State in 2004-05 was \$166 million (compared to the previous year's \$142 million).

Purchase of land is vital for LandCorp to be able to provide for the State's land needs into the future, especially given the time frame needed to present land to market.

Industrial purchases are on a relatively long time-frame, often taking in excess of 10 years to develop.

Our urban development program involves urban renewal projects, town centre and Transit-oriented Developments and seeks to provide integrated development solutions for major regional and tourism projects.

The Government assets management program maximises returns to the State from its land through changing land use and maximising its social, environmental and financial returns.

LandCorp uses a five-year moving average of return on assets to give a better understanding of its <u>efficient use of capital resources</u>, rather than the more volatile year-to-year figure. For the past five years, including 2004-5, this was 9.8 percent.

Program returns over the past five years are:

•	Industrial	5%
•	Urban (metro & regional)	23%
	Government assets	23%

In 2004, a cost review against business plan targets was completed with the aim of reducing LandCorp's future operating cost base (by five percent) and benchmarking against the private sector.

LandCorp continues to promote occupational health and safety expectations to <u>partners and suppliers</u> (contractor and consulting bodies) associated with our developments. By ensuring the highest possible standards in safety and health are set, considerable savings are achieved for the State and for the individual firms through less compensation, insurance, medical payments and lost time.









GOVERNANCE AND CORPORATE PERFORMANCE 2004-2005

Corporate governance

Corporate governance is the system and processes adopted to direct and manage the business and affairs of a company.

LandCorp has in place a comprehensive system of corporate governance practises which provide appropriate levels of disclosure and accountability. These practises derive primarily from the Western Australian Land Authority Act 1992 and the Statutory Corporations (Liability of Directors) Act 2001.

These practices are consistent with the ASX Corporate Governance Council's best practice recommendations in so far as they can be applied to a State government enterprise.

The LandCorp Board of Directors and staff are strongly committed to ensuring good corporate governance. In doing so, the focus is on LandCorp's legislative framework and corporate structures, as well as Board policies and LandCorp's internal control framework.

The Minister for Planning and Infrastructure has portfolio responsibility for LandCorp.

The Western Australian Land Authority, trading as LandCorp, is a government trading entity established under the provisions of the Western Australian Land Authority Act 1992 (WALA).

In 2004 the Australian Land Authority Act 1992 was amended to enable LandCorp to:

- · Maintain and lift the capacity to meet government land and property outcomes;
- Provide the flexibility needed to pursue a strong joint venture thrust with the private sector; and
- Reinforce our commitment to the triple bottom line.

LandCorp is exempted by the ammendments from the *Public Sector Management Act* 1994 (*PSMA*) but requires it to put in place minimum standards that reflect the principles of the *PSMA* and to report annually to the Commissioner for Public Standards.

The WALA Act now adopts financial reporting provisions equivalent to those of Corporations Law and exempts LandCorp from the Financial Administration and Audit Act 1985, with the exception of audit provisions, which means that the Auditor General continues to conduct annual audits.

LandCorp is also required to operate in accordance with its five-year Strategic Development Plan and annual Statement of Corporate Intent which are submitted to the Minister each year. In complying with legislation and in line with accepted sustainability principles, LandCorp strives to achieve measurable performance against economic, social and environmental objectives.

Role of the Board

The Board, as LandCorp's governing body, is responsible for ensuring the provisions of the *Western Australian Land Authority Act* 1992 and other laws governing the conduct of corporate entities are followed.

The Board has complied with a number of specific statutory responsibilities, set out in the Western Australian Land Authority Act 1992:

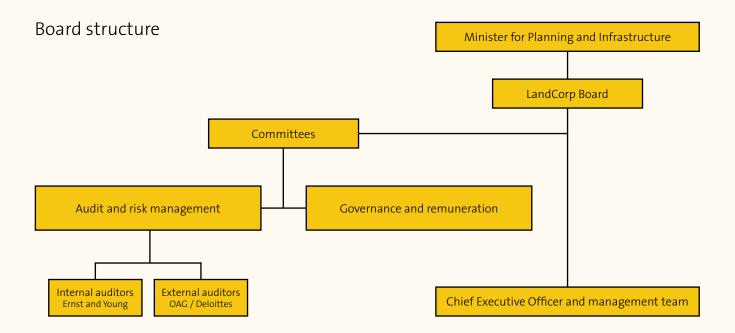
- Submission of Statement of Corporate Intent and Strategic Development Plan;
- · Dividend recommendation and payment; and
- Provision of a half-yearly report.

In addition to statutory responsibilities, the Board undertook strategic planning for LandCorp focused on:

- 1. business direction;
- 2. corporate standards;
- 3. policies and decision frameworks; and
- 4. advice to the Minister, Government and other agencies.

Operationally, the Board also assisted LandCorp's management team with:

- 1. setting program and project strategies;
- 2. analysing client needs;
- 3. establishing minimum standards and best practice initiatives; and
- 4. oversight of delegation and decision making processes.



The Western Australian Land Authority Act 1992 specifies the Board must comprise a minimum of five and a maximum of seven directors. At least four of the members need relevant experience in at least one of the following professional disciplines:

- housing;
- industry;
- finance;
- · land development.

- town planning;
- commerce;
- engineering;

Directors are appointed by the Minister for Planning and Infrastructure for a term not exceeding three years and are eligible to be reappointed. LandCorp employees are not eligible to be appointed as Directors.

The Chairperson is an independent director, separate from the Chief Executive Officer.

The Board does not believe any Director has served on the Board for a period which could, or could reasonably be perceived, to materially interfere with the Director's ability to act in the best interests of LandCorp.

In addition, it is considered that each Director is independent of management and any business or other relationship that could materially interfere with the exercise of objective, unfettered or independent judgement by the Director or the Director's ability to act in the best interests of LandCorp.

Board meetings

The Chairman sets the agenda for each meeting in consultation with the Chief Executive Officer. Any Director may have any matter added to the agenda. Directors are provided comprehensive papers on matters to be considered by the Board.

Members of the Office of the CEO and other members of senior management attend meetings of the Board by invitation.

The Board works to a rolling schedule and conducts periodic reviews of LandCorp's business. Directors are encouraged to participate in debate and to bring independent judgement to bear on matters being considered.

The board completed a number of project site inspections this year including visits to Armadale, Bunbury and Rockingham. These were an opportunity for Board directors to experience and observe how the field operations of LandCorp were conducted and progressing. Visits to town sites in the Pilbara and Kununurra Regions are planned for 2005-06

Board committees

The Board has a two committee structure which is consistent with the Australian Stock Exchange Corporate Governance Council Principles. The structure provides accountability and controls systems commensurate with the associated risks.

Audit and Risk Management Committee

Ross Bowe (Chairperson), Barbara Wiese, Fiona Roche

Reporting to the Board, the Audit and Risk Management Committee assesses and reports on financial reporting, internal control structures, risk management systems, compliance framework, and internal and external audit functions.

It provides a forum for regular communication between the board and LandCorp's auditors, both internal and external, who attend all Committee meetings, as does the General Manager Finance and Business Strategy.

The Committee has adopted its own charter, approved by the Board, setting out matters relevant to its compositions and responsibilities. Reviewed periodically by the board, it gives the Committee responsibility for the following activities:

- Consider group financial statements and key accounting policies
- Consider management's representations;
- · Consider the appointment and remuneration of the external auditor, and the performance and scope of work of the external audit;
- Establish policies in relation to auditor independence, meeting independently with auditors on a regular basis;
- Provide reporting access for Internal audit and consider scope of work;
- · Consider objectivity and resources and monitor management responses to internal audit recommendations; and
- Provide reports and recommendations to the Board and receive presentations and reports from management.

Governance and Remuneration Committee

John Carlson (Chairperson), Terry Budge, Verity Allan

The role of the Governance and Remuneration Committee as set out in their charter is to:

- Develop and review LandCorp's corporate governance framework and policies;
- Ensure policies developed are prudent and will assist LandCorp to achieve its business direction outcomes;
- Implement quality assurance relating to the integrity and probity of the Authority's remuneration policies and practices;
- Ensure appropriate remuneration practices and succession planning are undertaken, including assisting with Director nominations and relevant induction programs; and
- Review the performance of the Board, its Committees and the Chief Executive Officer.

Neil Hamilton and John Martin were members of the committee until the end of their tenure on the Board.

During this reporting period, the Committee implemented a number of actions relating to LandCorp's response to the State Government's Next Step program and the Act Amendment.

Director induction / education

A comprehensive induction program is in place to provide newly appointed directors with an understanding of their role and responsibilities, and to expose them to key features of the business, including its operations, policies and key directions. Additional supplements are tailored to meet an individual director's particular needs or interests. Ongoing Director education is provided by way of periodic presentations on matters of current interest.

In 2005-06 some Director's will participate in the Company Director's course with the Australian Institute of Company Directors.

Director benefit or related transactions

No Director (or firm where a Director held a substantial interest) received or became entitled to a benefit other than the remuneration stated in the Director's report.

Policy and administration

Policies set the parameters for a number of processes, which in turn support the Board's governance structures. These policies assist the Board with its decision making process.

Conflict of interest

While conflicts of interest at the administrative level are rare within the administration of LandCorp, the Board has a Conflict of Interest Policy detailing how matters are managed. This policy accords with the highest ethical standards set by the Public Sector Standards Commission.

Since Directors are appointed on the basis of their expertise in accordance with the WALA Act 1992, they do not represent any particular organisation or group. Therefore, the Board recognises that a Director's connection with any particular organisation or interest group does not necessarily imply a conflict of interest.

New Directors declare any financial or pecuniary interest at their first meeting. The Authority also has a standing protocol whereby a Board member would disclose an interest in any item on the agenda. Disclosures are recorded in the minutes (and a copy of the disclosure placed in LandCorp's Conflict of Interest Register).

When a conflict declaration is made, the Board may either allow the Director to make a statement to the Board then leave the meeting room, or the Board may request the Director to leave the room.

A conflict of interest process also applies to LandCorp staff and contractors who are required to make conflict disclosures to the Chief Executive Officer, who in turn determines the course of required management action. Eight staff entries were recorded in the Register of Interests as well as eight Board member entries.

Ethics and conduct

The legislation under which we operate requires the Board to establish minimum standards to apply to employees, management and Board Directors with regard to merit, equity and probity, and in consultation with the Commissioner of Public Sector Standards to develop a code of conduct.

LandCorp complies with the Public Sector Code of Ethics and has adopted the public sector's ethical principles into its own Code of Conduct. New employees are made aware of the Code at the time of orientation.

The Board of Director's aims to maintain leadership in setting high ethical standards, and ensuring that the principles in the code form part of, and are reflected in, everyday business activity in recognition of the value of ethical behaviour to the future of its business.

There were no reported breaches of the Codes of Ethics or Conduct during the reporting period.

Risk management

LandCorp incorporates risk management in all activities in accordance with its Risk Management Framework, which is integrated into the business planning process and the internal audit program.

A risk register identifies each risk, describes its probability, likely severity and mitigation strategy and records the status of each control. The risk register and Risk Management Framework are reviewed annually.

LandCorp also reviewed its compliance requirements this year to improve management of compliance risk following the amendment to its legislation.

LandCorp's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

Directors' insurance

Where appropriate, LandCorp takes out insurance policies to mitigate insurable risk.

LandCorp has in place Directors' insurance which conforms to the provisions of the Western Australian Land Authority Act 1992 and the Statutory Corporations (Liability of Directors) Act. The Board Directors are required to contribute (one percent) to the annual policy premium to obtain coverage, with the balance of the premium paid by LandCorp.

Independent professional advice

With the approval of the Chairperson, a Board Director may seek independent professional advice on matters presented to the Board or a Board Committee. The Board or Committee Chairperson is responsible for authorising LandCorp officers to pay the costs of obtaining the advice.

Communications

The Board maintains a Communications Protocol, which aims to ensure information received by and provided to Board Directors, outside the formal meetings process, is brought into the Board's formal discussion and consideration processes.

The Board also forms an integral part of LandCorp's communication with key industry bodies, local Government and other stakeholders. The Board uses these meetings as an information gathering exercise, to gain a firm appreciation of the perspectives of industry associations and groups which is then used in deliberative processes at the Board formal meetings

Ministerial advice and approvals

The Western Australian Land Authority Act 1992 prescribes a number of matters requiring an approval of the responsible Minister, and with respect to the Strategic Development Plan and Statement of Corporate Intent, concurrence of the Treasurer.

Prior to the Western Australian Land Authority Amendment Act 2004, Section 17 of the Act required LandCorp to obtain the Minister's approval for any contract or arrangement where the consideration exceeds \$1 million.

Proclamation of the Western Australian Land Authority Amendment Act 2004 now requires LandCorp to obtain the Minister's approval for transactions in which the consideration is equal to or exceeds five percent of the value of the total reported assets of LandCorp as set out in the most recent annual report.

Ministerial approvals are tabled in the Western Australian Parliament in accordance with the *Western Australian Land Authority Act* 1992. Some 52 approvals were tabled in Parliament during the reporting period. Given the Act amendments, this number is likely to be significantly reduced in future financial years.

The Board also provides regular advice to the Minister on various aspects of LandCorp's operations.

Ministerial directions

The Minister may give directions in writing to the Board of Directors with respect to the performance of the functions prescribed under legislation. Any such directions must be laid before both Houses of Parliament within 14 days.

The Board maintained the policy with respect to responding to Ministerial direction, to comply with the provisions of the WALA and Statutory Corporations (Liability of Directors) Act. No Ministerial directions were received by LandCorp from the Minister for Planning and Infrastructure during the reporting period.

Selection of suppliers / consultancy services

Prior to the Act Amendment, LandCorp complied with the Government Purchasing Charter while operating with a partial exemption from the State Supply Commission for the purchase of goods and services of a general nature and a full exemption allowed for purchases relating to LandCorp's core function of land development and sale. An audit of compliance with Government procurement policies by the State Supply Commission found that LandCorp fully met its requirements.

When possible, preference is given to goods and services provided by local sources in accordance with the State Supply Commission's Buy Local Policy.

Not withstanding the Act Amendment, LandCorp will continue to monitor State Supply Commission policies, to ensure that our practices accord with best practice in both the private and public sectors.

Compliance reporting

Freedom of information

The provisions of the *Freedom of Information (FOI)* Act 1992 apply to LandCorp, which has received seven FOI applications in this reporting period. LandCorp works with applicants to facilitate full disclosure of documents where appropriate.

A Statement in accordance with the FOI Act, giving information about LandCorp and making an FOI request is available at www.landcorp.com.au

Record keeping plans

In accordance with section 19 of the State Records Act 2000 LandCorp has submitted a draft Record Keeping Plan to the State Records Commission.

The Record Keeping Plan ensures that proper and adequate records are kept, maintained and protected in accordance with a retention and disposal schedule and that appropriate controls are in place to identify and name government records.

LandCorp's induction program addresses employee's roles and responsibilities in regard to their compliance with the Record Keeping Plan. In addition, a record keeping training program comprised of information sessions and inductions is in place and reviewed regularly.

The effectiveness of, and compliance with, the agency's record keeping system is evaluated annually through the analysis of established performance indicators measured through records statistics and LandCorp's annual staff survey. The Record Keeping Plan is operating efficiently and effectively in all material respects.

Human resource standards

LandCorp has, in the past, reported on it's compliance with the Public Sector Standards and Public Sector Code of Ethics. Since the Act Amendment, these no longer apply to LandCorp, however, LandCorp has developed its own standards for Human Resource Management which underpin all human resource activities. The new standards have regard to the principles set out in the *Public Sector Management Act* 1994 and have been lodged with the Commissioner for Public Sector Standards.

We have retained our Code of Conduct which has adopted the public sector's ethical principles. The Code of Conduct applies to all people employed by LandCorp – the Board, management and employees. New employees are made aware of the Code at the time of orientation.

LandCorp ensures the principles in the code form part of, and are reflected in, everyday business activities in recognition of the value of ethical behaviour in the future of its business.

A new Code of Conduct will be written in the coming year in consultation with the Office of the Public Sector Standards Commissioner.

There were no reported breaches of the Code of Ethics or Conduct during the reporting period.

Corruption prevention

Corruption prevention measures are dealt with as part of LandCorp's Risk Management Framework and Code of Conduct. For example, risks associated with unauthorised access and disclosure of confidential information have been identified as part of LandCorp's risk management processes and action has been taken to ensure suitable controls are in place.

LandCorp electoral information 2004-05

Advertising	\$3,852,398
Creating Communities	
Estill & Associates Pty Ltd	
Impact Communications	
JMG Marketing (Aust) Pty Ltd	
K B Promotions WA Pty Ltd	
Marketforce Australia Pty Ltd	
Marketforce Productions	
Media Decisions	
Media Monitors	
M J & L C Edwards	
MRG International	
Murdoch University	
McGees National Property Consultants	
National Housing Conference	
Past Midnight Designs	
Planning Institute of Australia	
Pro Design Lighting Pty Ltd	
Professional Public Relations	
Ray Burns Media	
Shearmans	
Shock Treatment Films	
Taj Enterprises	
VSA Property	
Whelans (WA) Pty Ltd	
Wings Photographics	
Market research	\$122,210
Curtin University of Technology	
Market Equity Pty Ltd	
Media Monitors	
RBA Consulting	
Total expenditure	\$3,974,608

Public interest disclosure

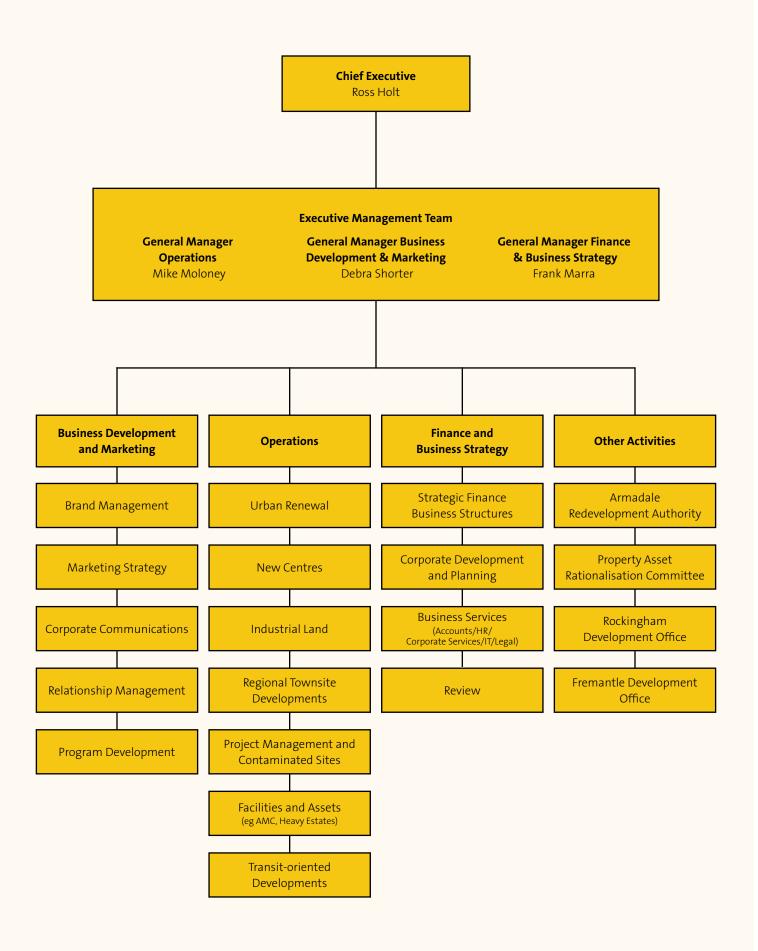
LandCorp's Manager Business Services, Janelle Shinners, was appointed Public Interest Disclosure Officer on 1 July 2003 and is responsible for ensuring confidentiality for people who make a public interest disclosure and the outcome of that assessment.

The Officer is aware of her obligations under the *Public Interest Disclosure Act* 2003. Any administrative investigations at LandCorp will be conducted in accordance with the Ombudsman's Guidelines for Conducting Administrative Investigations. There were no incidences requiring disclosure reports under this legislation during the year.

Disability services

LandCorp has in place a Disability Services Plan that addresses the needs of people with disabilities in gaining access to and receiving service or information from LandCorp. LandCorp continues to investigate and address issues for these clients. Community consultation is always performed using a variety of mediums, including newsletters, public displays, workshops, information offices, websites and information phone lines, to ensure the widest audience is reached. LandCorp has also, on occasion, offered translation services and uses professional facilitators at workshops which are generally held in public venues with appropriate facilities.

Structure of agency



Directors' report

The Board of Directors of LandCorp presents its report for the financial year ended 30 June 2005.

Directors

The Western Australian Land Authority Act 1992 (WALA Act) prescribes that the Board is to comprise between five and seven Directors at any one time, with the Minister for Planning and Infrastructure being responsible for Board appointments.

Persons who held the office of Director during the course of the year were as follows:

Director	Date appointed	Resigned / term expiry
Terry Budge (Chairperson)	1 November 2004 (Chairperson 15 January 2005)	31 October 2006
Neil Hamilton (Chairperson)	1 July 2002	14 January 2005
Barbara Wiese (Deputy Chairperson)	1 January 2002	31 December 2005
Ross Bowe	1 January 2002	31 December 2005
John Carlson	1 January 2002	31 December 2005
Fiona Roche	1 January 2004	31 December 2006
John Martin	1 January 2000	31 October 2004
Verity Allan	1 July 2004	31 December 2006

The qualifications, experience and special responsibilities of each Director are set out below.

New Directors appointed during the reporting period:



Terry Budge was appointed to the Board on 1 November 2004 and as the Chairperson on 15 January 2005. His term ends 31 October 2006. Terry Budge is a member of the Governance and Remuneration Committee. Terry Budge has a distinguished career in management and business leadership, including senior executive positions at the National Australia Bank and Group Managing Director at the Bank of Western Australia. He is also a director of Westoz Investment Company Limited, Aspen Group Limited and holds a number of industry leadership roles, including State President and National Director of the Australian Institute of Company Directors, a member of the Senate at Murdoch University and a board member of the Western Australian Institute of Medical Research, Leadership WA and Deckchair Theatre.



Verity Allan was appointed to the Board on 1 July 2004 for a term ending 31 December 2006. Verity Allan is a member of the Governance and Remuneration Committee. Verity Allan is a town planner with a wealth of experience in local government and redevelopment. She brings to the Board extensive expertise in the important field of sustainability. Ms Allan is the Chairperson of the Water and Rivers Commission Board, a member of the Western Australian Planning Commission's Statutory Planning Committee and a board member of the Armadale Redevelopment Authority and was a former Councillor at the City of Nedlands. Her experience extends across the private sector and Government. She has a strong interest in environmental and social planning.

Current Directors:



Barbara Wiese was appointed as Deputy Chair to the Board on 1 January 2002. Barbara Wiese was reappointed on 1 January 2005 for a term ending on 31 December 2005 and is a member of the Audit and Risk Management Committee. Barbara Wiese was the first female minister in the South Australian Parliament, holding a number of portfolios between 1985 and 1993. She is now a Perth-based communications consultant who has worked with Australian and international clients in industries such as manufacturing, tourism and property development, food processing, health and education. She was also a member of the community reference group reviewing Perth's freight network.



Ross Bowe was appointed to the Board on 1 January 2002. Ross Bowe was reappointed on 1 January 2005 for a term ending on 31 December 2005 and is the Chairperson of the Audit and Risk Management Committee. A former Under Treasurer in Western Australia, he is currently a financial consultant. Ross Bowe has been involved in a wide range of high-level reviews, including a review of the Northern Territory Police Force, the City of Perth restructuring and a variety of studies relating to the forestry, financial management and competitive aspects of the operations at the WA Department of Conservation and Land Management. He is also Chairperson of the Metropolitan Cemeteries Board and Racing and Wagering Western Australia.



John Carlson was appointed to the Board on 1 January 2002 and is the Chairperson of the Governance and Remuneration Committee. The Minister for Planning and Infrastructure reappointed John Carlson on 1 January 2005 for a term ending on 31 December 2005. John Carlson has extensive experience in the areas of strategic planning, corporate communications, project management and marketing. He has served on a number of boards – private and public – as both a Director and Chairperson. He is Managing Director of integrated marketing group LINC.



Fiona Roche was appointed to the Board on 1 January 2004 for a term ending on 31 December 2006 and is a member of the Audit and Risk Management Committee. Fiona Roche is the Managing Director of Estates Development Company Pty Ltd and Adelaide Development Company Pty Ltd with extensive experience in land development and planning. Fiona Roche has held several board positions in the finance sector and served on several Government advisory bodies in the areas of planning and economic development.

Director whose term ended and was not re-appointed during the reporting period:



John Martin was first appointed to the Board in January 2000. He was reappointed from 1 January 2002 for a term ending on 31 December 2003. John Martin, in accordance with Schedule 1 Section 1(2) of the WALA Act, remained on the Board as an active Director until 31 October 2004. John Martin was a member of the Governance and Remuneration Committee. He is a Life Fellow of the Australian Property Institute and the Principal of Australian Property Consultants. John Martin is a licensed valuer and property consultant with more than 20 years' experience in the Western Australian property industry. John Martin is also a Director of the Subiaco Football Club.

Director who resigned during the reporting period:



Neil Hamilton was appointed as Chairperson of the Board on 1 July 2002 for a term expiring on 30 June 2005. Neil Hamilton resigned from the Board on 14 January 2005. Neil Hamilton was a member of the Governance and Remuneration Committee. He is also the Chairperson of Western Power Corporation, Integrated Group Ltd, Iress Market Technology Ltd and a Director of Insurance Australia Group Ltd.

Meetings

Details of attendance by Directors at Board meetings and Board committee meetings are set out below:

Board

Board member	Meetings qualified to attend	Special Board meetings	Meetings attended
Terry Budge (appointed 1/11/04)	7	4	11
Neil Hamilton (resigned 14/1/05)	5	3	8
Barbara Wiese	10	6	15
John Martin (end 31/10/04)	3	1	3
Ross Bowe	10	6	13
John Carlson	10	6	13
Verity Allan	10	6	15
Fiona Roche	10	6	12

Audit and Risk Management Committee

	Meetings held	Meetings attended
Barbara Wiese	5	4
Ross Bowe	5	5
Fiona Roche	5	5

Governance and Remuneration Committee

	Meetings held	Meetings attended
Terry Budge	1	1
Neil Hamilton	-	-
John Martin	-	-
John Carlson	1	1
Verity Allan	1	0

Principal activities

The Western Australian Land Authority, trading as LandCorp, is a Government trading entity established under the provisions of the *WALA Act*.

The Act sets out a clear role for LandCorp to ensure the State's future land needs are met in a commercially responsible manner and establishes clear lines of accountability with the State Government.

The functions of the LandCorp are:

- (a) to be an agency which provides, or promotes the provision of, land for the social and economic needs of the State;
- (b) to be an agency through which the Crown and public authorities may dispose of land;
- (c) to be an agency through which local governments and regional local governments may dispose of land in accordance with the *Local Government Act* 1995;
- (d) to complete the development of the Joondalup Centre, in accordance with the plan referred to in Section 18, on the land described in Schedule 2; and
- (e) to identify other potential centres of population, and centres of population in need of urban renewal, and use its powers to bring about the provision, or improvement, of land, infrastructure, facilities or services for the same.

In 2004 the WALA Act was amended to enable LandCorp to:

- lift its capacity to meet the Government's land and property outcomes;
- provide the flexibility needed to pursue strong linkages with the private sector; and
- reinforce a commitment to the triple bottom line.

The principal program areas of LandCorp during the course of the financial year were:

- industrial land development;
- urban centre development (including townsite development projects); and
- Government Asset Management (including surplus asset disposals).

There have been no significant changes in the nature of the principal activities of LandCorp during the financial year.

Review of operations

LandCorp continued to conduct its operations in accordance with commercial principles, specified in Section 19 of the WALA Act, by:

- performing functions in a cost-efficient manner;
- · endeavouring to surpass long-term financial targets specified in its Strategic Development Plan; and
- ensuring no new project had an expected rate of return below a minimum hurdle rate specified in its Strategic Development Plan.

Operating results	2004/05 (\$M)	2003/04 (\$M)	2002/03 (\$M)	2001/02 (\$M)
Profit before income tax equivalents	74	45	21	20
Income tax equivalents expense / (benefit)	20	10	4	4
Net profit	54	35	17	16

The increase in net profit from 2003/04 to 2004/05 is due primarily to an increase in land sales and Community Service Obligation (CSO) funding.

Dividends paid or recommended

The WALA Act specifies how the dividend is to be determined by the Board and Minister.

The Board of Directors is required to make a dividend recommendation to the Minister for Planning and Infrastructure as soon as practicable after the end of each financial year. The Minister is required to consult with the Treasurer and either accept the recommendation or otherwise determine the dividend payable by LandCorp.

The Treasurer determines the date the dividend is to be paid by LandCorp. Dividends paid during the year totalled \$16,661,000 and dividends proposed but not paid at 30 June 2005 were \$35,451,000.

The dividend payments for the last 4 four years are summarised below:

Dividends appropriated	2004-05 (\$M)	2003-04 (\$M)	2002-03 (\$M)	2001-02 (\$M)
Interim dividends	0.109	0.632	0.8	-
Provision for final dividend	35.451	16.552	6.0	7.0
Total dividend appropriation	35.560	17.184	6.8	7.0

Changes in state of affairs

A significant change in the state of affairs of LandCorp during the financial period was the amendment of the *WALA Act* in December 2004.

While core functions remain unchanged, LandCorp is now fully corporatised, has aligned its reporting requirements more closely to general corporations and must now achieve a balance between community, environment and economic outcomes.

Events subsequent to balance date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of LandCorp, to affect significantly the operations of LandCorp, the results of those operations, or the state of affairs of LandCorp, in future financial years.

Likely developments and future results

LandCorp will continue to work with Government, its stakeholders and customers to deliver the functions set out in the WALA Act. LandCorp's expected future trading results, as set out in its 2005-06 Business Plan:

2005-06 estimates	(\$M)
Sales revenue (GST exclusive)	197
Sundry revenue	15
Cost of land sold	123
Operating costs	17
Profit before interest and CSO	52
CSO revenue (net)	7
Net interest expense	(1)
Income tax expense	15
Profit after income tax	45

Payments to Government (through the Consolidated Fund) are expected to total around \$52million from 2005/06 operations. This includes tax equivalents, stamp duty on land acquisitions and expected dividends.

The Minister for Planning and Infrastructure is considering options for an integrated redevelopment authority and the Minister's preferred model incorporates LandCorp. The detail of this process and the form of the new body is not known at this stage.

Emoluments

In accordance with Section 13(c) of Schedule 3A of the Western Australian Land Authority Act 1992, included below is the nature and amount of each element for each Director and the five named officers of LandCorp receiving the highest emoluments.

Directors' emoluments

The Minister determines the emoluments of the Board of Directors.

Director	Fees	Superannuation	Total
Terry Budge	\$28,873	\$2,599	\$31,472
Barbara Wiese	\$26,150	\$2,241	\$28,391
Ross Bowe	\$16,500	\$1,485	\$17,985
John Carlson	\$16,500	\$1,485	\$17,985
Fiona Roche	\$16,500	\$1,485	\$17,985
Verity Allan	\$16,500	\$1,485	\$17,985
Neil Hamilton	\$24,896	\$2,241	\$27,137
John Martin	\$4,333	\$390	\$4,723

Directors' benefits

No Directors of LandCorp have received benefits or became entitled to receive any benefit (other than a benefit included in the total amount of emoluments received or due and receivable by Directors) by reason of contract made by LandCorp with the Director, or with a firm of which the Director is a member, or with an entity in which the Director has a substantial interest.

Executives' emoluments

The Board, with the approval of the Minister and subject to the *Salaries and Allowances Act* 1975, determines the emoluments package of the Chief Executive Officer. The Board delegates to the Chief Executive Officer the power to determine the terms and conditions of other senior executives in accord with a policy under which LandCorp engages consultants to report and recommend competitive emolument packages for senior executives based on benchmarking with other organisations.

The performance of the Chief Executive Officer and senior executives is monitored against agreed criteria.

Details of emoluments provided to the five named officers of LandCorp receiving the highest emoluments:

Senior executive	Salary	Superannuation	Other	Total
Ross Holt	\$199,288	\$18,954	\$12,419	\$230,661
Frank Marra	\$143,352	\$12,059	\$7,969	\$163,380
Mike Moloney	\$142,260	\$12,803	\$7,601	\$162,664
Gary Ackland	\$123,595	\$12,806	\$7,622	\$144,023
James Pelc	\$111,912	\$11,220	\$7,622	\$130,754

Note: Includes leave entitlements paid out during the year.

Environmental regulation and management

LandCorp's operations are subject to significant regulation under both Commonwealth and State environmental legislation applicable to any Australian commercial entity. These include:

- Environment Protection and Biodiversity Conservation Act (Commonwealth) 1999
- Environmental Protection Act 1986
- Contaminated Sites Act 2003
- Aboriginal Heritage Act 1972
- Dangerous Goods Regulations 1982
- Poisons Act 1964

A period of significant change in environmental regulation is being experienced in Western Australia, with recent amendments to the *Environmental Protection Act* 1986, the impending enactment of the *Contaminated Sites Act* 2003, and the formation of an Enforcement Unit within the Department of Environment last year.

Following the amendments to the WALA Act during this reporting period, LandCorp is now required to consider the environmental outcomes of the performance of its functions.

No environmental breaches were committed during the year and full statutory compliance was maintained.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to the *Western Australian Land Authority Act* 1992.

T. Budge Director

B. Wiese Director

Borbon Diece

29 August 2005

Leon Burly

Directors' declaration

The Directors declare that:

- a) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the *Western Australian Land Authority Act* 1992, including compliance with Australian Accounting Standards and giving a true and fair view of the financial position and performance of the Western Australian Land Authority (LandCorp); and
- b) in the Directors' opinion, there are reasonable grounds to believe that LandCorp will be able to pay its debts as and when they become due and payable;

Signed in accordance with a resolution of the Directors made pursuant to Western Australian Land Authority Act 1992.

On behalf of the Directors

Leny Burg

T. Budge Director

29 August 2005

B. Wiese Director

Borban Dice



INDEPENDENT AUDIT REPORT ON WESTERN AUSTRALIAN LAND AUTHORITY

To the Parliament of Western Australia

Audit Opinion

In my opinion, the financial report of the Western Australian Land Authority is in accordance with:

- (a) schedule 3A of the Western Australian Land Authority Act 1992, including:
 - (i) giving a true and fair view of the Authority's financial position at 30 June 2005 and of its performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards in Australia; and
- (b) other mandatory professional reporting requirements in Australia.

Scope

The Board's Role

The Board of Directors is responsible for the financial report.

The financial report consists of the Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows, accompanying Notes and Directors' Declaration.

Summary of my Role

As required by the Western Australian Land Authority Act 1992, I have independently audited the financial report to express an opinion on it. This was done by looking at a sample of the evidence.

An audit does not guarantee that every amount and disclosure in the financial report is error free, nor does it examine all evidence and every transaction. However, my audit procedures should identify errors or omissions significant enough to adversely affect the decisions of users of the financial report.

D D R PEARSON AUDITOR GENERAL

31 August 2005

Statement of financial performance

for the financial year ended June 2005

	Note	2005 \$'000	2004 \$'000
REVENUE			
Sales		159,083	148,160
Cost of sales		(83,744)	(85,418)
Gross profit		75,339	62,742
Other revenue from ordinary activities	2	51,030	57,946
Total revenue from ordinary activities		126,369	120,688
EXPENSES			
Estate holding expenses		(13,414)	(11,128)
Employee expenses		(7,766)	(6,124)
Consultant expenses		(2,630)	(3,089)
Advertising, public relations and sponsorship		(5,220)	(4,410)
Borrowing costs		-	(3)
Other expenses from ordinary activities	2	(23,376)	(50,447)
Total expenses from ordinary activities		(52,406)	(75,201)
Profit from ordinary activities before income tax		73,963	45,487
Income tax expense relating to ordinary activities	3	(19,863)	(10,558)
Net profit		54,100	34,929
Total changes in equity other than those resulting from transactions with owner as owner	r	54,100	34,929

The Statement of financial performance should be read in conjunction with the accompanying notes.

Statement of financial position

as at June 2005

	Note	2005 \$'000	2004 \$'000
CURRENT ASSETS			
Cash assets		673	1,596
Receivables	4	10,783	9,298
Inventories	5	125,070	161,217
Other financial assets	6	54,861	56,700
Other	9	2,787	33,364
Total current assets		194,174	262,175
NON- CURRENT ASSETS			
Receivables	4	4,379	3,001
Inventories	5	218,977	99,705
Other financial assets	6	950	950
Property, plant & equipment	7	84,299	83,164
Deferred tax assets	8	776	707
Other	9	2,056	2,087
Total non-current assets		311,437	189,614
TOTAL ASSETS		505,611	451,789
CURRENT LIABILITIES			
Payables	10	25,035	29,552
Current tax liabilities	11	13,465	9,902
Provisions	12	41,454	22,514
Other	13	7,312	1,785
Total current liabilities		87,266	63,753
NON-CURRENT LIABILITIES			
Deferred tax liabilities	11	7,479	5,679
Provisions	12	15,562	13,781
Other	13	6,411	3,875
Total non-current liabilities		29,452	23,335
TOTAL LIABILITIES		116,718	87,088
NET ASSETS		388,893	364,701
EQUITY			
Contributed equity		226,690	221,038
Asset revaluation reserve		4,763	4,763
Retained profits		157,440	138,900
TOTAL EQUITY	14	388,893	364,701

The Statement of financial position should be read in conjunction with the accompanying notes.

Statement of cash flows

for the financial year ended June 2005

	Note	2005 \$'000	2004 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		175,559	160,568
Community service obligation (CSO) contributions		30,456	41,356
Payments to suppliers and employees		(185,921)	(197,420)
Interest received		4,622	3,866
Interest paid		-	(3)
Income tax paid		(14,568)	(3,328)
Net cash provided by/(used in) operating activities	15(b)	10,148	5,039
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for investments		(220,081)	(486,318)
Proceeds on sale of investments		223,380	499,629
Payments for property, plant and equipment		(4,374)	(16,212)
Proceeds from sale of property, plant and equipment		1,665	9
Net cash provided by/(used in) investing activities		590	(2,892)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from equity contribution		5,000	5,000
Payment of dividend		(16,661)	(6,632)
Net cash provided by/(used in) financing activities		(11,661)	(1,632)
Net increase/(decrease) in cash held		(923)	515
Cash at the beginning of the financial year		1,596	1,081
Cash at the end of the financial year	15(a)	673	1,596

The Statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

Note 1 summary of significant accounting policies

The financial statements constitute a general purpose financial report which has been prepared in accordance with the *Western Australian Land Authority Act* 1992, Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and Urgent Issues Group (UIG) Consensus Views.

The statements have been prepared on the accrual basis of accounting using the historical cost convention, with the exception of certain items of Property, Plant and Equipment which subsequent to initial recognition, have been measured on the fair value basis. Accounting policies have been applied in a manner which ensures the resulting financial information satisfies the concepts of relevance and reliability.

The following accounting policies have been adopted in the preparation of the financial statements. Unless otherwise stated these policies are consistent with those adopted in the previous year.

a) Payables

Payables, including accruals not yet billed, are recognised when LandCorp becomes obliged to make future payments as a result of a purchase of assets or services. Payables are generally settled within 30 days.

b) Acquisition of assets

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition.

In the event that settlement of all or part of the cash consideration given in the acquisition of an asset is deferred, the fair value of the purchase consideration is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Assets acquired at no cost or for nominal consideration are initially recognised at their fair values at the date of acquisition.

c) Comparative amounts

The financial statements for the 2003/04 financial year have been reclassified to reflect amendments made to the reporting requirements of the *Western Australian Land Authority Act* 1992. This reclassification does not impact on balance sheet retained profits for the 2003/04 financial year.

d) Depreciation of non-current assets

All non-current assets having a limited useful life are systematically depreciated over their useful lives in a manner which reflects the consumption of their future economic benefits. Depreciation is provided for on the straight line basis using rates which are reviewed annually. The following estimated useful lives are used in the calculation of depreciation for each class of depreciable asset:

Buildings	25 - 40 years
Furniture & Office Equipment	4 - 10 years
Computer Equipment	4 years
Computer Software	4 years
Leasehold Improvements	3 years
Plant & Equipment	10 years
Infrastructure	22 years

e) Derivative financial instruments

LandCorp enters into derivative financial instruments to manage its exposure to foreign exchange rate risk, being forward foreign exchange contracts. Further details of derivative financial instruments are disclosed in Note 21 to the financial statements.

Foreign Exchange Contracts

Exchange differences on forward foreign exchange contracts to hedge the purchase or sale of specific goods and services are deferred and included in the measurement of the purchase or sale.

In the event of early termination of a foreign currency hedge of an anticipated purchase or sale of goods and services, the deferred gains and losses that arose on the foreign exchange contract prior to its termination are:

- deferred and included in the measurement of the purchase or sale when it takes place, where the anticipated transaction is still expected to occur; or
- recognised in the net profit or loss at the date of termination, if the anticipated transaction is no longer expected to occur.

f) Employee benefits

i. Annual and long service leave

Provision is made for benefits accruing to employees in respect of salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of salaries, annual leave and long service leave expected to be settled within 12 months, are measured at their nominal values using the current remuneration rate.

Provisions made in respect of long service leave which is not expected to be settled within 12 months is measured at the nominal value using the current remuneration rate of employees with more than 50 percent eligible service even though a legal liability to pay long service leave has not arisen.

An actuarial assessment of long service leave was carried out in July 2003 and it was determined that the actuarial assessment of the liability was not materially different from the liability reported. This method of measurement of the liability is consistent with the requirements of Australian Accounting Standard AASB 1028 "Employee Benefits".

ii. Superannuation

Staff may contribute to the Gold State Superannuation Scheme (a defined benefit lump sum scheme) now closed to new members. All staff who do not contribute to this scheme become members of either the West State Superannuation Scheme or the Colonial Select Superannuation Plan. LandCorp contributes to these funds in compliance with the *Commonwealth Government's Superannuation Guarantee (Administration) Act* 1992.

The pre-transfer service liability for employees who transferred to the Gold State Superannuation Scheme, are provided for at reporting date.

The liability for charges under the Gold State Superannuation Scheme, West State Superannuation Scheme and the Colonial Select Superannuation Plan are extinguished by the payment of employer contributions to the schemes.

g) Contributed equity

Capital contributions (appropriations) have been designated as contributions by owners and have been credited directly to Contributed Equity in the Statement of Financial Position only when such contributions have been designated by Treasury as a contribution by the owner at the time of or prior to the transfer.

h) Foreign currency

All foreign currency transactions during the year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at that date. Exchange differences are recognised in net profit or loss in the period in which they arise except that:

- i. exchange differences which relate to assets under construction for future productive use are included in the cost of those assets; and
- ii. exchange differences on transactions entered into in order to hedge the purchase or sale of specific goods and services are deferred in the Statement of Financial Position and included in the measurement of the purchase or sale.

i) 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 taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST.

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

The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

j) Income tax

LandCorp entered into the National Tax Equivalent Regime (NTER) in 2001/02 whereby an equivalent amount in respect of income tax is payable to the Western Australian Department of Treasury and Finance. The calculation of the liability in respect of income tax is governed by NTER guidelines agreed by the State Government. The NTER is administered by the Australian Taxation Office.

As a consequence of participation in the NTER, LandCorp is required to comply with Accounting Standard AASB 1020 "Income Tax".

Tax-effect accounting principles are adopted whereby income tax expense is calculated on pre-tax accounting profits after adjustment for permanent differences. The tax-effect of timing differences, which occur when items are included or allowed for income tax purposes in a period different to that for accounting, is shown at current taxation rates in the deferred tax assets and deferred tax liabilities, as applicable.

Future income tax benefits in relation to timing differences are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future tax benefits in relation to tax losses are not brought to account unless the benefit can be regarded as being virtually certain of realisation.

k) Financial instruments included in liabilities

Interest bearing liabilities are recognised at the amount equal to the net proceeds received. Borrowing cost expense is recognised as an expense on an accrual basis using the effective yield to maturity.

I) Land held for sale (inventory)

Development properties are carried at the lower of cost or net realisable value (based on undiscounted cash flows). Cost includes the cost of acquisition and development. Amounts are disclosed as current where it is anticipated that land will be developed ready for sale within twelve months after reporting date.

m) Investments

Investments are brought to account at the lower of cost or recoverable amount.

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

n) Joint venture operations

Interests in the assets and liabilities of joint venture operations are included under the relevant Statement of Financial Position headings.

Interest in the revenues and expenses of joint venture operations are brought to account by including LandCorp's share of revenues and expenses under the respective Statement of Financial Performance headings.

o) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership. LandCorp is not party to any finance lease arrangements.

LandCorp has entered into a number of operating lease arrangements as lessee for office premises and motor vehicles where the lessors effectively retain all risks and benefits incidental to ownership of the items held under the operating leases.

Equal instalments of payments are charged to the Statement of Financial Performance over the lease term as this is representative of the pattern of benefits to be derived from the leased property.

LandCorp also has in place a number of operating leases as lessor of industrial, grazing and residential property.

p) Provisions

Provisions are recognised when LandCorp has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is probable that recovery will be received and the amount of the receivable can be measured reliably.

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 cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

q) Provision for future development obligations

Amounts have been set aside to meet future development obligations in respect of land which has been sold.

r) Receivables

Accounts receivable are recognised at the amounts due less any allowance for doubtful debts. Receivables are generally due for settlement within 30 days of the date of recognition.

Provision for doubtful debts is recognised to the extent that recovery of the outstanding receivable balance is considered less than likely. Any provision established is based on a review of all outstanding amounts at reporting date. A specific provision is maintained for identified doubtful debts, and a general provision is maintained in respect of receivables which are doubtful of recovery but which have not been specifically identified.

s) Recoverable amount of non-current assets (excluding inventory)

Non-current assets (excluding inventory) are written down to recoverable amount where the carrying value of any non-current assets exceeds recoverable amount. In determining the recoverable amount of non-current assets, the expected net cash flows have not been discounted.

t) Revaluation of land, buildings, and plant and equipment

LandCorp has a policy of valuing land (other than land held for sale), buildings and plant and equipment at fair value. Revaluations are made in accordance with a regular policy whereby independent valuations are obtained periodically and carrying amounts adjusted accordingly.

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

Revaluation decrements are recognised immediately as expenses in net profit or loss, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited to the asset revaluation reserve.

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

Unless indicated, no provision has been made for any taxes on capital gains which could arise in the event of a sale of certain re-valued non-current assets as it is not expected that any such liability will crystallise.

u) Revenue recognition

Rent revenue is recognised on an accruals basis. Royalty revenue is recognised on an accruals basis in accordance with the substance of the relevant agreement.

Services received free of charge are recognised as revenue when and only when a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense.

Revenue from land sales is recognised from the earlier of the date of possession or date of transfer of title.

v) Community Service Obligation (CSO) project funding

LandCorp receives CSO funding for certain projects from the Department of Treasury and Finance and other Government agencies as a contribution towards either holding costs, land acquisitions or land development and associated costs. This funding is required to ensure LandCorp achieves its hurdle rate of return on these projects and is recognised as revenue when received by LandCorp. CSO funding is recognised as revenue in the Statement of Financial Performance upon receipt.

w) Cash

For the purposes of the statement of cash flows, cash includes deposits at call with financial institutions and other highly liquid investments with short periods to maturity which is readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

x) Rounding

All amounts in the financial report have been rounded to the nearest thousand dollars unless otherwise indicated.

Note 2 Profit from ordinary activities

Profit from ordinary activities before income tax includes the following items of revenue and expense:

	2005 \$'000	2004 \$'000
a) Operating revenue		
Grants to fund Community Service Obligation (CSO) projects	30,456	41,356
Property management revenue	9,437	7,670
Royalties	987	1,685
Project management revenue	1,530	2,126
Other	3,731	1,212
Total operating revenue	46,141	54,049
b) Non-operating revenue		
Interest revenue	4,640	3,611
Other	249	286
Total non-operating revenue	4,889	3,897
Total other revenue from ordinary activities	51,030	57,946
c) Other expenses from ordinary activities		
CSO project expenditure	(10,029)	(38,294)
Property management expenses	(6,992)	(5,762)
Administration expenses	(2,246)	(2,716)
Accommodation expenses	(730)	(770)
Land study expenses	(543)	(709)
Depreciation of property, plant and equipment	(2,730)	(2,161)
Other expenses	(106)	(35)
Total other expenses from ordinary activities	(23,376)	(50,447)

Note 3 Income tax

The difference between income tax expense recognised in the financial statements and the prima facie income tax expense on accounting pre-tax profit is reconciled as follows:

	2005 \$'000	2004 \$'000
Profit from ordinary activities before income tax	73,963	45,487
Prima facie tax thereon at 30% (2004:30%)	22,189	13,646
Tax effect of permanent differences:		
Profit on land sold not assessable	(1,690)	(3,132)
Depreciation of buildings not deductible	470	292
Building allowance	(703)	(305)
Entertainment not deductible	2	2
Under/(over) provision of tax in previous years	(405)	55
Income tax expense attributable to profit from ordinary activities	19,863	10,558
Income tax expense comprises movements in:		
Provision for income tax expense	18,132	10,954
Future income tax benefit	(69)	(6)
Provision for deferred income tax	1,800	(390)
Total income tax expense	19,863	10,558

Note 4 Receivables

	2005 \$'000	2004 \$'000
Current		
Trade receivables	9,510	8,408
Less provision for doubtful debts	60	60
	9,450	8,348
GST receivable	1,333	950
Total current receivables	10,783	9,298
Non-current		
Trade receivables	3,816	2,238
Non-trade receivables (a)	563	763
Total non-current receivables	4,379	3,001

(a) Collateral is not normally obtained.

Note 5 Inventories

	2005 \$'000	2004 \$'000
Current		
Land held for sale		
at cost	125,005	161,103
at net realisable value	65	114
Total current inventories	125,070	161,217
Non-current		
Land held for sale		
at cost	216,852	97,617
at net realisable value	2,125	2,088
Total inventories	218,977	99,705
Land held for sale comprises		
Cost of acquisition	257,360	166,833
Development costs	86,687	94,089
Total non-current inventories	344,047	260,922

The most recent valuations of land held for sale, which have not been recognised in the financial statements, were internal valuations at 01 January 2005. Market Value of land held at 30 June 2005 amounted to \$876,111 thousand (2004: \$788,035 thousand). The internal valuations have been determined taking into account advice from independent valuers, real estate agents and both internal and external property advisors.

Note 6 Other financial assets

	2005 \$'000	2004 \$'000
Current		
Commercial bills (note 21)	52,161	54,000
Term deposits (a)	2,700	2,700
Total current other financial assets	54,861	56,700
(a) Term deposits are being held as security for a number of bank guarantees. These guarantees amount to \$1,826 thousand at 30 June 2005 (2004: \$1,058 thousand).		
Non-current		
Bentley technology park (b)	950	950

(b) Landcorp shares an equitable interest in the Bentley Technology Park with the Department of Industry and Resource(DoIR). Of this balance, \$771 thousand attracts an annual interest charge of 5.47% (2004: 5.72%) payable by DoIR. This rate is determined annually in November using the Western Australian Treasury Corporation one year borrowing rate. The cost of this asset will be recovered through subsequent sales of the units at the park.

Note 7 Property, plant and equipment

Non-current

	Land at fair value \$'000	Buildings at fair value \$'000	Infrastruct. at cost \$'000	Plant at fair value \$'000	Equipment at cost \$'000	Total \$'000
Gross carrying amount	7 000	7 000	7 000	7 000	7 000	7 000
Balance at 30 June 2003	26,659	1,834	-	526	5,200	34,219
Additions	10,681	19,140	16,527	-	7,205	53,553
Disposals	-	(25)	-	-	(151)	(176)
Balance at 30 June 2004	37,340	20,949	16,527	526	12,254	87,596
Additions	-	40	-	-	4,563	4,603
Cost revisions	(167)	-	(467)	-	(1)	(635)
Disposals	-	-	-	-	(605)	(605)
Balance at 30 June 2005	37,173	20,989	16,060	526	16,211	90,959
Accumulated depreciation/an	nortisation					
Balance at 30 June 2003	noi tisation	(97)	_	(29)	(2,277)	(2,403)
Disposals		6	-	-	127	133
Depreciation expense		(852)	(124)	(45)	(1,141)	(2,162)
Balance at 30 June 2004		(943)	(124)	(74)	(3,291)	(4,432)
Disposals		-	-	-	502	502
Depreciation expense		(851)	(719)	(42)	(1,118)	(2,730)
Balance at 30 June 2005		(1,794)	(843)	(116)	(3,907)	(6,660)
Net book value						
as at 30 June 2004	37,340	20,006	16,403	452	8,963	83,164
as at 30 June 2005	37,173	19,195	15,217	410	12,304	84,299

The fair valuations of freehold land, buildings and plant and equipment were based on their estimated market value as at 30 April 2003. The valuations were performed independently by R.D. Richmond FAPI AI ARBA and Patrick Matthews AAPI and dated 5 June 2003 and 14 July 2003 respectively.

Note 8 Deferred tax assets

	2005	2004
	\$'000	\$'000
Non-current Non-current		
Future income tax benefit	776	707

Note 9 Other assets

	2005	2004
Current	\$'000	\$'000
Deposits (a)	1,722	31,973
Accrued income	328	880
Prepayments	176	64
Deferred foreign exchange receivable	561	447
Total current other assets	2,787	33,364
(a) Deposits include deposit bonds and deposits paid for land acquisitions.		
Non-current		
Deferred foreign exchange receivable	2,056	2,087
Note 10 Payables		
Note to Fayables	2005 \$'000	2004 \$'000
Current		
Trade payables	11,301	21,708
Accrued expenses	11,382	5,147
GST payable	2,352	2,697
Total current payables	25,035	29,552
Note 11 Tax liabilities	2005	2004
	\$'000	\$'000
		9,902
	13.465	
	13,465	
Income tax payable	13,465	3,332
Current Income tax payable Non-current Provision for deferred income tax	7,479	5,679
Non-current Provision for deferred income tax		
ncome tax payable Non-current	7,479	5,679 2004
Non-current Provision for deferred income tax	7,479	5,679
Non-current Provision for deferred income tax Note 12 Provisions	7,479	5,679 2004
Non-current Provision for deferred income tax Note 12 Provisions Current Dividend (note 16)	7,479 2005 \$'000	5,679 2004 \$'000
Non-current Provision for deferred income tax Note 12 Provisions Current Dividend (note 16) Employee benefits (note 17)	7,479 2005 \$'000	5,679 2004 \$'000 16,552
Non-current Provision for deferred income tax Note 12 Provisions Current Dividend (note 16) Employee benefits (note 17) Compensation (note 16)	7,479 2005 \$'000 35,451 1,144	5,679 2004 \$'000 16,552 833
Non-current Provision for deferred income tax Note 12 Provisions Current Dividend (note 16) Employee benefits (note 17) Compensation (note 16) Other (note 16)	7,479 2005 \$'000 35,451 1,144 4,808	5,679 2004 \$'000 16,552 833
Non-current Provision for deferred income tax Note 12 Provisions Current	7,479 2005 \$'000 35,451 1,144 4,808 51	5,679 2004 \$'000 16,552 833 5,129
Non-current Provision for deferred income tax Note 12 Provisions Current Dividend (note 16) Employee benefits (note 17) Compensation (note 16) Other (note 16) Total current provisions Non-current	7,479 2005 \$'000 35,451 1,144 4,808 51	5,679 2004 \$'000 16,552 833 5,129
Non-current Provision for deferred income tax Note 12 Provisions Current Dividend (note 16) Employee benefits (note 17) Compensation (note 16) Other (note 16) Fotal current provisions	7,479 2005 \$'000 35,451 1,144 4,808 51 41,454	5,679 2004 \$'000 16,552 833 5,129

Note 13 Other liabilities

	\$'000	\$'000
Current		
Deposits (a)	6,346	682
Unearned revenue	405	656
Unrealised gain on foreign exchange contract	561	447
Total current other liabilities	7,312	1,785
(a) Deposits include deposits received on sale of land.		
Non-current		
Unearned revenue	4,355	1,788
Unrealised gain on foreign exchange contract	2,056	2,087
Total non-current other liabilities	6,411	3,875
Note 14 Equity		
	2005 \$'000	2004 \$'000
Contributed equity		
Opening balance:		
Capital contributed on formation	113,957	113,957
Capital contributed by State Government	107,081	64,745
	221,038	178,702
Capital contributed by State Government during the year (a)	5,652	42,336
Total contributed equity	226,690	221,038
Reserves (b)		
Asset revaluation reserve	4,763	4,763
Retained profits		
Opening balance	138,900	121,155
Net profit	54,100	34,929
Dividends provided for or paid	(35,560)	(17,184)
Total retained profits	157,440	138,900
(a) Capital contributed by State Government during the year		
Cash contributed to acquire land from the Dept. for Planning and Infrastructure	5,000	5,000
Land contributed at fair value	652	-
Aust. Marine Complex - Common User Facility assets contributed at fair value	-	37,336
Total capital contributed by State Government during the year	5,652	42,336

2005

2004

⁽b) The asset revaluation reserve arises on the revaluation of non-current assets in accordance with accounting policy outlined in note 1(t). There were no movements in this reserve during the current or previous financial years.

Note 15 Notes to the statement of cash flows

	2005 \$'000	2004 \$'000
a) Reconciliation of cash		
for the purposes of the statement of cash flows cash includes cash on hand and in banks, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the tatement of cash flows is reconciled to the related items in the statement of financial position as follows:		
ash	673	1,596
o) Reconciliation of profit from ordinary activities after related income tax to net cash flows from operating activities		
rofit from ordinary activities after related income tax	54,100	34,929
Profit)/Loss on sale of non-current assets	103	34
epreciation and amortisation of non-current assets	2,730	2,161
crease/(decrease) in current tax liability	3,563	7,626
crease/(decrease) in deferred tax balances	1,731	(396)
nanges in assets and liabilities		
ncrease)/decrease in assets		
Receivables	(2,863)	1,860
Inventories	(86,688)	(15,758)
Other assets	32,235	(23,120)
crease/(decrease) in liabilities		
Payables	(4,648)	(11,551)
Provisions	1,822	10,000
Other liabilities	8,063	(746)
et cash from operating activities	10,148	5,039
) Financing facilities		
nsecured bank overdraft facility, reviewed annually and payable at call:		
mount used	-	-
mount unused	2,000	2,000
	2,000	2,000
ecured loan facilities with Western Australian Treasury Corporation (WATC)		
mount used	-	-
mount unused	175,000	175,000
	175,000	175,000

Note 16 Provisions expanded

	Dividend \$'000	Compensation \$'000	Future develop \$'000	Other \$'000	Total \$'000
Balance at 30 June 2003	6,000	-	7,987	-	13,987
Additional provisions recognised	17,184	5,129	12,912	-	35,225
Reductions from payments	(6,632)	-	(7,987)	-	(14,619)
Reductions from re-measurement	-	-	-	-	-
Balance at 30 June 2004	16,552	5,129	12,912	-	34,593
Additional provisions recognised	35,560	1,500	14,656	51	51,767
Reductions from payments	(16,661)	(1,139)	(12,912)	-	(30,712)
Reductions from re-measurement	-	(682)	-	-	(682)
Balance at 30 June 2005	35,451	4,808	14,656	51	54,966
Current (note 12)	35,451	4,808	-	51	40,310
Non-current (note 12)	-	-	14,656	-	14,656
	35,451	4,808	14,656	51	54,966

Provisions have been raised where it is probable that LandCorp will have a future sacrifice of benefits that can be reliably measured in accordance with accounting policy outlined in note 1(p) and 1(q). The provision for compensation has been recognised in two instances, one where LandCorp has compulsorily acquired land and secondly, where LandCorp has acquired land subject to a native title compensation agreement.

Note 17 Employee benefits

The aggregate employee entitlement liability recognised and included in the financial statements is as follows:

ent provision for employee benefits (note 12)
current provision for employee benefits (note 12)
ned wages and salaries (a)
corned wages and calaries are included in the current accrued expenses balance

(a) Accrued wages and salaries are included in the current accrued expenses balance as disclosed in note 10 to the financial statements

	NO.	NO.
Number of employees at end of financial year	87	82

Note 18 Directors' and executives' remuneration

The remuneration of all specified directors is recommended by the Minister for Public Sector Management and confirmed by the Minister for Planning and Infrastructure in accordance with the Western Australian Land Authority (WALA) Act 1992. The remuneration of all specified executives is reviewed by the remuneration committee on an annual basis, which makes recommendations to the board with regard to comparable industry salaries.

2005	Salary & fees	Super.	Other benefits	Total
Specified directors				
T. Budge (current Chairperson)	28,873	2,599	-	31,472
N. Hamilton (former Chairperson)	24,896	2,241	-	27,137
B. Wiese (Deputy Chairperson)	26,150	2,241	-	28,391
V. Allan	16,500	1,485	-	17,985
R. Bowe	16,500	1,485	-	17,985
J. Carlson	16,500	1,485	-	17,985
J. Martin	4,333	390	-	4,723
F. Roche	16,500	1,485	-	17,985
Total	150,252	13,411	-	163,663
Specified executives				
R. Holt (Chief Executive Officer)	199,288	18,954	12,419	230,661
F. Marra (General Manager Finance & Bus. Strategy)	143,352	12,059	7,969	163,380
M. Moloney (General Manager Operations)	142,260	12,803	7,601	162,664
D. Shorter (General Manager Bus. Dev & Mktg) *	66,494	5,985	3,528	76,007
G. Lewis (Organisational Counsel) **	109,273	13,113	7,737	130,123
Total	660,667	62,914	39,254	762,835

^{*} employment with LandCorp commenced in the 2004/05 financial year

^{**} seconded to another Government agency during the 2004/05 financial year

2004	Salary & fees	Super.	Other benefits	Total
Specified directors				
N. Hamilton (Chairperson)	45,500	4,095	-	49,595
B. Wiese (Deputy Chairperson)	20,000	1,800	-	21,800
R. Bowe	13,000	1,170	-	14,170
J. Carlson	13,000	1,170	-	14,170
S. Corser	6,500	585	-	7,085
J. Martin	13,000	1,170	-	14,170
F. Roche	6,500	585	-	7,085
C. Tan	6,500	585	-	7,085
Total	124,000	11,160	-	135,160
Specified executives				
R. Holt (Chief Executive Officer)	161,161	18,364	7,618	187,143
F. Marra (General Manager Finance & Bus. Strategy)	105,595	10,813	7,410	123,818
M. Moloney (General Manager Operations)	107,682	9,691	7,073	124,446
G. Lewis (Organisational Counsel)	108,203	12,984	7,436	128,623
J. Pelc (Business Manager)	95,368	10,802	9,034	115,204
Total	578,009	62,654	38,571	679,234

Note 19 Commitments

	2005	2004
	\$'000	\$'000
(a) Capital commitments expenditure		
Development of land	20,197	27,817
Community service obligation (project funding received in advance)	21,982	15,984
Share of joint venture capital commitments	116	168
	42,295	43,969
(b) Operating lease commitments		
LandCorp has its office premises and its motor vehicle fleet under non-cancellable operating leases. Total commitments for future lease payments which have not been provided for in the accounts are as follows:		
No later than 1 year	686	657
Later than 1 year and not later than 5 years	1,762	102
Later than 5 years	-	-
	2,448	759

Note 20 Joint ventures

TVOLE 20 Joint Ventares		
	Inte	erest
	2005	2004
Alkimos Joint Venture	50%	50%
College Grove Joint Venture	*	*
* LandCorp shares in 50% of the net sale proceeds after deducting from gross sale proceeds the project expenditure, management fees and land costs as per the Joint Venture Agreement.		
The Alkimos and College Grove Joint Ventures are involved in residential land development. LandCorp's interests in assets in the above joint ventures are included in the statement of financial position under the following classifications:		
Cash assets	233	1,599
Current receivables	17	16
Current inventories	1,109	1,089
Current other financial assets	1,460	-
Non-current inventories	1,697	1,791
Current liabilities	(32)	-
Net assets	4,484	4,495

Note 21 Financial instruments

(a) Interest rate risk exposure

The following table details Landcorp's exposure to interest rate risk as at 30 June 2005:

	Average	Variable _ interest rate \$'000	Fixed	Fixed interest rate maturity		Non-int.	Total
2005	_		< 1yr \$'000	1 - 5 yrs \$'000	> 5yrs \$'000	bearing \$'000	\$'000
Financial assets							
Cash assets	4.95%	666	-	-	-	7	673
Receivables	0.45%	-	-	563	-	14,599	15,162
Commercial bills	5.52%	-	52,161	-	-	-	52,161
Term deposits	5.71%	-	2,700	-	-	-	2,700
Other	4.44%	-	-	771	-	179	950
		666	54,861	1,334	-	14,785	71,646
Financial liabilities							
Bank overdraft	8.10%	-	-	-	-	-	-
Payables	0.00%	-	-	-	-	25,035	25,035
Provisions	0.00%	-	-	-	-	54,966	54,966
Employee benefits	0.00%	-	-	-	-	2,050	2,050
		-	-	-	-	82,051	82,051

The following table details Landcorp's exposure to interest rate risk as at 30 June 2004:

		Average	Variable	Fixed interest rate maturity		Non-int.	Total
2004	_	interest rate \$'000	< 1yr \$'000	1 - 5 yrs \$'000	> 5yrs \$'000	bearing \$'000	\$'000
Financial assets							
Cash assets	4.73%	1,597	-	-	-	7	1,604
Receivables	0.73%	-	-	763	-	11,773	12,536
Commercial bills	5.38%	-	54,000	-	-	-	54,000
Term deposits	5.45%	-	2,700	-	-	-	2,700
Other	4.64%	-	-	771	-	179	950
		1,597	56,700	1,534	-	11,959	71,790
Financial liabilities							
Bank overdraft	7.85%	-	-	-	-	-	-
Payables	0.00%	-	-	-	-	24,405	24,405
Provisions	0.00%	-	-	-	-	34,593	34,593
Employee benefits	0.00%	-	-	-	-	1,702	1,702
		-	-	-	-	60,700	60,700

(b) Forward foreign exchange contracts

During the 2002 financial year LandCorp entered into a rental income contract denominated in United States dollars. LandCorp has hedged the GST exclusive foreign currency exchange risk from these receipts with the Western Australian Treasury Corporation by entering into arrangements whereby LandCorp has committed to forward sell 100% of its US dollars in exchange for Australian dollars at the exchange rate prevailing at the time of entering the contract.

Forward sale of US\$	Monthly amount due US\$'000	Total per annum amount US\$'000	Rate A\$/US\$
2006	67	800	0.4974
2007	67	800	0.4974
2008	67	800	0.4974
2009	67	800	0.4974
2010	67	533	0.4974

As this contract is hedging anticipated future receipts any unrealised gains and losses on the contracts, together with the cost of the contracts, are deferred and will be recognised in the measurement of the underlying transaction provided the underlying transaction is still expected to occur as originally designated. Included in the amounts deferred are any gains or losses on hedging contracts terminated prior to maturity where the related hedged transaction is still expected to occur as designated.

(c) Net fair value of financial assets and liabilities

The carrying amounts and net fair values of financial assets and financial liabilities held at reporting date are the same except where noted below. The net fair value of a financial asset or a financial liability is the amount at which the asset could be exchanged or liability settled in a current transaction between willing parties after allowing for transaction costs.

	Carrying amt	Net fair val.
	\$'000	\$'000
Financial assets:		
Foreign exchange receivable	2,617	2,433

(d) Credit risk

LandCorp does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

Note 22 Land sales contracts

	2005	2004
	\$'000	\$'000
Unsettled sales contracts (a)	48,334	50,313

(a) Unsettled sales contracts have not been included in revenue in the current year. This treatment is in accordance with the Accounting Policy explained in note 1(u).

Note 23 Remuneration of auditors

	2005 \$	2004 \$
Audit of the financial report	90,000	79,000
Other audit services provided	-	-
	90,000	79,000

Note 24 Contingent liabilities

LandCorp is currently involved in litigation with a number of parties. LandCorp is of the opinion, based on legal advice and their knowledge of these claims, that the probability of a future sacrifice of economic benefits is remote and therefore has not provided for any financial impact.

Note 25 Segment information

Primary reporting - business segments

Segment information has been disclosed by business area. The key business areas are Industrial, Urban (including regional townsites), Government Asset Management (GAM), undertaking land development consistent with each area.

2005	Industrial \$'000	Urban \$'000	GAM \$'000	Unallocated \$'000	Total \$'000
Revenue					
Sales	30,430	67,158	61,495	-	159,083
Grants to fund CSO projects - inventory	27,977	2,479	-	-	30,456
Other revenue from ordinary activities	10,977	949	4,006	2	15,934
Interest revenue	86	-	-	4,554	4,640
Total revenue from ordinary activities	69,470	70,586	65,501	4,556	210,113
Expenditure					
Cost of land sold	(18,572)	(24,810)	(40,362)	-	(83,744)
CSO project expenditure	(7,858)	(466)	(1,705)	-	(10,029)
Other expenses from ordinary activities	(22,263)	(11,132)	(8,685)	(297)	(42,377)
Total expenses from ordinary activities	(48,693)	(36,408)	(50,752)	(297)	(136,150)
Profit before income tax	20,777	34,178	14,749	4,259	73,963
Income tax expense	-	-	-	(19,863)	(19,863)
Net profit	20,777	34,178	14,749	(15,604)	54,100
Segment assets	84,771	9,499	11,042	400,299	505,611
Segment liabilities	18,386	12,781	29,109	56,442	116,718
Acquisition of property, plant and equipment, intangibles and other non-current segment assets.	3,932	374	297	-	4,603
Non-cash expenses other than depreciation and amortisation	189	91	72	-	352

Secondary reporting - geographical segments

During the year LandCorp operated in one geographical segment, that being Western Australia.

Note 25 Segment information (continued):

Primary reporting - business segments

Segment information has been disclosed by business area. The key business areas are Industrial, Urban (including regional townsites), Government Asset Management (GAM), undertaking land development consistent with each area.

2004	Industrial \$'000	Urban \$'000	GAM \$'000	Unallocated \$'000	Total \$'000
Revenue					
Sales	32,993	41,615	73,552	-	148,160
Grants to fund CSO projects - inventory	33,034	6,439	1,733	150	41,356
Other operating revenue	10,933	743	1,123	180	12,979
Interest revenue		-	-	3,611	3,611
Total revenue from ordinary activities	76,960	48,797	76,408	3,941	206,106
Expenditure					
Cost of land sold	(19,058)	(22,548)	(43,812)	-	(85,418)
CSO project expenditure	(24,554)	(12,108)	(1,632)	-	(38,294)
Other expenses from ordinary activities	(16,998)	(5,878)	(5,994)	(8,037)	(36,907)
Total expenses from ordinary activities	(60,610)	(40,534)	(51,438)	(8,037)	(160,619)
Profit before income tax	16,350	8,263	24,970	(4,096)	45,487
Income tax expense	-	-	-	(10,558)	(10,558)
Net profit	16,350	8,263	24,970	(14,654)	34,929
Segment assets	220,415	68,959	101,233	61,182	- 451,789
Segment liabilities	30,054	10,473	10,839	35,722	87,088
Acquisition of property, plant and equipment, intangibles and other non-current segment assets.	54,000	100	113	300	54,513
Non-cash expenses other than depreciation and amortisation	82	100	92	(14)	260

Secondary reporting - geographical segments

During the year LandCorp operated in one geographical segment, that being Western Australia.

Note 26 Impacts of adopting Australian equivalents to International Financial Reporting Standards (A-IFRS)

Management of the transition to A-IFRS

LandCorp will be required to prepare financial statements that comply with Australian equivalents to International Financial Reporting Standards (A-IFRS) for annual reporting periods beginning on or after 1 January 2005. Accordingly, LandCorp's first annual financial report prepared under A-IFRS will be for the year ended 30 June 2006.

In 2003, LandCorp established a Project Team to manage the transition to A-IFRS. The Project Team conducted a high-level scoping exercise as part of its awareness training to obtain an idea of the effect and effort involved in adopting A-IFRS. Part of the scoping exercise involved identifying key areas of impact that will arise on adoption of A-IFRS including financial impact, effort required, and options available to LandCorp on first-time adoption of A-IFRS.

Subsequently, LandCorp conducted a business impact study to determine the effect and best options for future reporting periods. The results were then reviewed and approved by the Audit and Risk Management Committee. LandCorp then began process of redesign and systems building in order to capture information necessary to allow the preparation of financial statements which are fully compliant with A-IFRS. To assist in the transition to A-IFRS, LandCorp prepared an opening A-IFRS compliant balance sheet at 1 July 2004.

The Project Team believes LandCorp will be able to achieve its plan for A-IFRS implementation such that financial statements, which are fully compliant with A-IFRS, will be able to be prepared.

The likely impacts of A-IFRS on the results and financial position of LandCorp

The following proforma statement of financial performance and statement of financial position outline the likely impacts on the current year results and financial position of LandCorp had the financial statements been prepared using A-IFRS, based on the directors' accounting policy decisions current at the date of this financial report. Users of the financial report should note that further developments in A-IFRS (for example, the release of further pronouncements by the Australian Accounting Standards Board and the Urgent Issues Group), if any, may result in changes to the accounting policy decisions made by the directors to date, and consequently, the likely impacts outlined in the proforma financial statements.

Impacts of adopting A-IFRS Pro-forma Statement of Financial Performance for the financial year ended 30 June 2005

	Note	A-GAAP actual \$'000	A-IFRS impact \$'000	A-IFRS pro forma \$'000
REVENUE				
Sales		159,083	-	159,083
Cost of sales		(83,744)	-	(83,744)
Gross profit	•	75,339	-	75,339
Other revenue from ordinary activities		51,030	-	51,030
Total revenue from ordinary activities		126,369	-	126,369
EXPENSES				
Estate holding expenses		(13,414)	-	(13,414)
Employee expenses		(7,766)	-	(7,766)
Consultant expenses		(2,630)	-	(2,630)
Advertising, public relations and sponsorship		(5,220)	-	(5,220)
Borrowing costs		-	-	-
Other expenses from ordinary activities		(23,376)	-	(23,376)
Total expenses from ordinary activities	,	(52,406)	-	(52,406)
Profit from ordinary activities before income tax		73,963	-	73,963
Income tax expense relating to ordinary activities	d	(19,863)	(2,330)	(22,193)
Net profit		54,100	(2,330)	51,770

Impacts of adopting A-IFRS Pro-forma Statement of Financial Performance for the financial year ended 30 June 2005

	Note	A-GAAP actual \$'000	A-IFRS impact \$'000	A-IFRS pro forma \$'000
CURRENT ASSETS				
Cash assets		673	-	673
Receivables	a	10,783	-	10,783
Inventories	b	125,070	(2,614)	122,456
Other financial assets	a	54,861	-	54,861
Other	a	2,787	-	2,787
Total current assets	-	194,174	(2,614)	191,560
NON- CURRENT ASSETS				
Receivables	a	4,379	-	4,379
Inventories	b	218,977	(24,513)	194,464
Other financial assets	b	950	(950)	-
Property, plant & equipment	b, c	84,299	28,324	112,623
Intangibles	С	-	319	319
Deferred tax asset	d	776	36,246	37,022
Other	a	2,056	-	2,056
Total non-current assets	_	311,437	39,426	350,863
TOTAL ASSETS	-	505,611	36,812	542,423
CURRENT LIABILITIES				
Payables	a	25,035	-	25,035
Current tax liability		13,465	-	13,465
Provisions	e	41,454	(35,451)	6,003
Other	a	7,312	-	7,312
Total current liabilities		87,266	(35,451)	51,815
NON-CURRENT LIABILITIES				
Deferred tax liability	d	7,479	2,832	10,311
Provisions		15,562	-	15,562
Other	a	6,411		6,411
Total non-current liabilities		29,452	2,832	32,284
TOTAL LIABILITIES	- -	116,718	(32,619)	84,099
NET ASSETS	=	388,893	69,431	458,324
EQUITY				
Contributed equity		226,690	-	226,690
Asset revaluation reserve	f	4,763	(494)	4,269
Retained profits	b, d, e, f	157,440	69,925	227,365
TOTAL EQUITY		388,893	69,431	458,324

Explanatory notes to the proforma financial statements

The following explanatory notes relate to the proforma financial statements above and describe, for significant items, the differences between the accounting policies under A-IFRS and the current treatment of those items under Australian GAAP (AGAAP).

(a) Financial instruments

The Directors have elected to apply the first-time adoption exemption available to LandCorp to defer the date of transition to 1 July 2005 for AASB 132 'Financial Instruments: Disclosure and Presentation' and AASB 139 'Financial Instruments: Recognition and Measurement'. Accordingly, there have been no quantitative impacts on the 30 June 2005 financial statements.

The Directors have determined the classifications that will apply to various financial assets and financial liabilities, other than derivatives, held by LandCorp from 1 July 2005. Under A-IFRS, financial assets must be categorised as either fair value through the profit or loss, loans and receivables, held-to-maturity, or as available for sale. Financial liabilities must be categorised as either fair value through profit or loss or as other financial liabilities.

(b) Property, plant and equipment

On initial adoption of A-IFRS, the Directors have elected to deem the fair values of property, plant and equipment (PPE) at 1 July 2004 to be cost for accounting purposes, as permitted by the first-time adoption provisions in AASB 1 'First—time Adoption of Australian Equivalents to International Financial Reporting Standards'. LandCorp acquired some land in Karratha for a nominal cost. AASB 116 states that where land is acquired at nominal cost by a not-for-profit entity, its cost shall be deemed to be it's fair value at the date of acquisition. This land had a fair vale of \$566 thousand at the date of acquisition. Consequently the adoption of A-IFRS will result in an increase in PPE land of \$566 thousand and an adjustment of an equal amount to Retained Earnings.

AASB 116 'Property, Plant and Equipment' allows entities to choose either the cost model or revaluation model to an entire class of PPE. The directors have elected to choose the cost model. The cost model means that after initial recognition of an asset, an item of PPE shall be carried at its cost less any accumulated depreciation and impairment losses.

The Directors have elected to reclassify a number of land parcels from inventory to PPE land, as these properties are not being actively marketed or held for sale, rather they are being held to earn rental income. This represents a transfer of \$2,614 thousand from current inventory and \$24,513 thousand from non-current inventory to PPE.

Incorporated within non-current other financial assets is LandCorp's 80 percent interest in three units at the Bentley Technology Park at a cost of \$950 thousand. The Directors consider this asset does not meet the definition of a financial asset as per AASB 132 and instead meets the definition of PPE as per AASB 116. As a consequence \$950 thousand has been transferred from other financial assets to PPE.

(c) Intangible assets

In accordance with AASB 138 'Intangible Assets', computer software used by LandCorp has been treated as an intangible asset and not PPE due to the software not being part of the computer hardware or operating system. As a consequence computer software with a written down value of \$319 thousand has been transferred from PPE to intangible assets.

(d) Income tax

Under A-IFRS, tax balances are determined using a 'balance sheet' approach, which significantly differs from the current methodology prescribed and applied as described in note 1(j). Changes in deferred tax assets and deferred tax liabilities will arise as a consequence of the different method of measurement, including increases in deferred tax assets and deferred tax liabilities. These adjustments have arisen as a consequence of the recognition of deferred taxes associated with the first time inclusion of temporary differences in relation to inventory, property, plant and equipment and capital losses.

The cumulative impact on the financial position at 30 June 2005 of the different methodology applied will be to increase deferred tax assets by \$36,246 thousand and to increase deferred tax liabilities by \$2,832 thousand. The impact on the profit and loss for the financial year ended 30 June 2005 is an increase in tax expense of \$2,330 thousand. The impact on the profit and loss for previous financial years results in an opening adjustment to Retained Earnings of \$35,744 thousand.

(e) Provisions

Based on discussions with the Department of Treasury and Finance it was confirmed that under A-IFRS a provision for dividend can not be recognised unless it has been approved by the Treasurer under section 38 of the *Western Australian Land Authority Act*. At 30 June 2005 the dividend provision of \$35,451 thousand had not been approved by the Treasurer and therefore the provision has been removed against Retained Earnings.

(f) Asset revaluation reserve

AASB 116 provides that the Asset Revaluation Reserve included in equity in respect of an item of PPE may be transferred directly to retained earnings when an asset is derecognised. The net revaluation increment at 30 June 2005 for those items previously disposed of totals \$494 thousand, and this amount has been transferred to Retained Earnings.





WESTERN AUSTRALIAN LAND AUTHORITY

LEVEL 3 WESFARMERS HOUSE

40 THE ESPLANADE PERTH

WESTERN AUSTRALIA 6000

T (08) 9482 7499 F (08) 9481 0861

www.landcorp.com.au

POSTAL ADDRESS

LOCKED BAG 5
PERTH BUSINESS CENTRE