



Annual Report

2014

urbangrowthnsw.com.au



Ministers' letter

The Hon. Andrew Constance MP

Treasurer
Minister for Industrial Relations

52 Martin Place
Sydney NSW 2000

The Hon. Dominic Perrottet MP

Minister for Finance and Services

52 Martin Place
Sydney NSW 2000

30 September 2014

Dear Treasurer and Minister

We are pleased to submit to you, for presentation to the Parliament of New South Wales, the Annual Report for the year ended 30 June 2014. The report has been prepared in accordance with the Annual Reports (Statutory Bodies) Act 1984 and the applicable provisions of the Public Finance and Audit Act 1983.



John Brogden AM

Chairman



Bonita Boezeman AO

Director

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Chairman's review

On behalf of the Board of Directors and staff of UrbanGrowth NSW, I am pleased to present the Annual Report for 2014.

Our most significant challenge this year has been the continued and well managed transition of UrbanGrowth NSW to a new business model. This follows the government's strategic review of our role and purpose and their subsequent agreement to a new mandate in February 2014.

Our new mandate focuses strongly on the planning and delivery of major city-shaping urban transformation projects. It firmly places UrbanGrowth NSW in a leadership role, working collaboratively with other government agencies, the private sector and the community on these significant and complex programs.

The new mandate was delivered in conjunction with the appointment of the new Chief Executive Officer, David Pitchford. David joined the organisation in September 2013, bringing his tremendous passion, enthusiasm and experience for the visionary urban transformation work we undertake. He has quickly established a new organisational structure and gathered a highly competent and experienced management team.

In this Annual Report you will see significant progress across several projects within our newly established Major Urban Renewal Portfolio. This portfolio contains large scale urban transformation programs that unlock housing supply, boost jobs growth, encourage economic investment, and create significant development opportunities for the private sector.

Major work has been done to develop strategies for UrbanGrowth NSW to undertake an orderly transition out of retail land development. This is in line with the government's stated purpose that we should not compete with the private sector in the provision of retail land for housing. In conjunction with our plan to transition out of retail, we established new divisions to deliver wholesale projects and major urban transformation.

This redirection focuses on transforming underutilised and derelict government land in city-shaping locations by creating a united vision, coordinating key stakeholders, master planning, de-risking and working with the private sector to create world-class redevelopments. It is also very

exciting to see some projects providing the public with the opportunity to access government land previously locked off to them for generations.

This year we have maintained our long tradition of meeting or exceeding our financial targets, achieving a net profit after tax of \$116.7 million - \$41.9 million better than forecast, and returning \$117.3 million in dividend and tax equivalent payments back to government.

Our success is very much a team effort. I acknowledge my fellow Directors, Chief Executive Officer and staff for the depth of their talent and their unfailing enthusiasm. I also extend my thanks to former Managing Director, Sean O'Toole, who retired during the reporting period, leaving the organisation with a strong track record across government and a superb reputation within the industry.

Finally, I acknowledge the greater responsibilities bestowed upon UrbanGrowth NSW during the year by the Government of NSW. They've embraced our vision and our strategy for a better way to plan, manage and develop major city-shaping projects. It's a vote of confidence in our past achievements and our current capabilities, but it's also a significant challenge - one UrbanGrowth NSW will strive to achieve.

John Brogden AM
Chairman



Chief Executive Officer's review

After joining UrbanGrowth NSW in September last year, it is with great pleasure that I provide my first Chief Executive Officer review. It has been a busy period since then, with a lot of my focus given to aligning the organisation to deliver against our new and broader government mandate.

This mandate positions us as the state's lead organisation responsible for urban transformation. The Ministerial Statement of Priorities issued in February 2014 has firmly established the tone for our organisation, and we will ultimately deliver more than 100,000 new dwellings, thousands of new jobs, and broad economic and social benefits for the state in coming decades. It is a responsibility that requires bold ambition, new levels of collaboration, and a long-term approach.

With the criteria for our portfolio clearly established, by June 2014 we had announced a lead role in five transit-oriented Urban Renewal Programs including Parramatta Road, Green Square Town Centre, Newcastle, Central to Eveleigh and Parramatta North. In the weeks following the end of the financial year we also announced The Bays Precinct and North West Urban Renewal Programs. These are exciting programs that will positively impact the liveability of our cities and state.

Delivering these programs requires a new level of public sector innovation and world-class standards of collaboration across government, the community and private sector. It also requires a highly functioning organisation. As such, a new structure has been introduced, with three operating divisions — one dedicated to unlocking urban transformation projects (Urban Renewal), one dedicated to delivering urban transformation sites (Wholesale), and one providing home sites for Western Sydney (Retail Transition). Leaders have been appointed in each of these areas, along with the Corporate Management Team to provide organisation-wide services.

A new corporate strategy has also been developed and implemented since my arrival, and I am very pleased to say it has already started to make a difference to communities across our state. This includes accelerating the delivery of homes in Western Sydney, facilitating the development of

1,300 new apartments in locations close to transport and jobs, and developing new levels of collaboration to speed up planning in programs like that in Newcastle.

The change in organisational direction, however, has not detracted from our responsibilities in meeting housing targets set for us in the NSW Government's 10,000 Home Sites Program. The results achieved in our Retail Transition division are nothing short of impressive, as we released a total of 3,078 home sites in year three of the program. The tireless work undertaken by the teams mean we will have delivered against the program's objectives by early in 2015, several months ahead of schedule.

A great deal has been achieved this past 12 months by the staff of UrbanGrowth NSW. Their professionalism and commitment to the organisation and delivering on the government's goals in this time of change has been outstanding.

The next 12 months will be equally important. The responsibility that comes with our new mandate is significant. The programs will shape our cities, positively impact housing and jobs growth, and improve the amenity and liveability of our urban spaces for generations to come.

We must ensure that world-class thinking and process underpin our decisions at every stage of the programs from community consultation, to planning, and government agency collaboration.

I am proud of our organisation and believe we are positioned strongly to deliver world-class outcomes for NSW in the year ahead.

David Pitchford CBE LVO
Chief Executive Officer

Board of Directors



John Brogden AM
CHAIRMAN

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

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

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

John is the Chairman of Lifeline Australia, a Director of NIA (trading as health.com.au), Chairman of Furlough House Retirement Village and Chairman of the Broken Bay Institute. John is also the Patron of Sailability Pittwater, Bilgola Surf Lifesaving Club, Avalon Beach Surf Lifesaving Club, and Kookaburra Kids.



Bonita Boezeman AO
PMD Harvard, FAICD

Bonita Boezeman worked for Time Warner Inc. for 23 years in Europe and Australia, including over 12 years as Managing Director of Time Life, South Pacific. Bonita's experience covers marketing, finance, strategy, retail, internet, gaming, entertainment and over 12 years as a director in the government property sector.

Bonita was founding Chairman of PayPal Australia and currently chairs Poli Payments, and an internet start-up called ShopReply. She is also on the board of Centric Wealth and not-for-profit boards, such as the Order of Australia Foundation Association, ARS Musica Australis, NSW Olympic Committee and The East West Foundation.

Bonita was made an Officer in the Order of Australia in 2003 and was awarded the Centenary Medal in the same year. Bonita has a PMD diploma from Harvard Business School.



Robert Hamilton

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

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

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

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



Matthew Quinn

Matthew Quinn was the Managing Director of Stockland from 2000 to January 2013. He is currently a non-executive director of CSR Limited and Chairman of Carbonxt Group Limited.

He has a first class honours degree in Chemistry and Management Science from Imperial College, London, and is a qualified Chartered Accountant. Matthew is actively involved in education initiatives for disadvantaged students and is a director of the Australian Business and Community Network Foundation.

Management team



David Pitchford CBE LVO
CHIEF EXECUTIVE OFFICER

David Pitchford was appointed Chief Executive Officer of UrbanGrowth NSW in September 2013. In this role David has oversight of the direction and ambition of the organisation, and interfaces with portfolio ministers and the board. He has more than 35 years of experience as the head of public and private organisations.

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

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

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



Peter Anderson
HEAD OF WHOLESALE PROJECTS
B Commerce (Land Economics)

Peter Anderson leads and manages UrbanGrowth NSW's Wholesale project teams in creating development-ready opportunities for the private sector. Peter has over 30 years experience in the property industry, having worked in government, private consultancy and development organisations.

As part of Peter's role he provides strategic development advice to NSW Planning and Infrastructure, the Department of Finance and Services, Land and Housing Corporation, Premier and Cabinet, and other government agencies.

Peter started with UrbanGrowth NSW in 2006, working as a Business Development Director.

Before joining UrbanGrowth NSW, Peter worked as a Senior Development Director for Stockland Residential Communities, and was Director of Anderson Projects NSW. Peter holds a Bachelor of Commerce (Land Economy) and Certificate of Management, and is a qualified Engineering Surveyor.



Michael Brodie
CHIEF FINANCIAL OFFICER
B EC, CA, GAICD

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

Michael has previously held senior finance positions at DCA Aged Care, Woolworths Property and RG Capital. He has also worked as the National Manager – Property Finance (Contract) at Woolworths Limited, and RG Capital Holdings.

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



Julian Frecklington
HEAD OF STRATEGY
B.Eng (Hons 1), LLB

Julian Frecklington was appointed Head of Strategy for UrbanGrowth NSW in January 2013. He is responsible for establishing the organisation's strategy, and building the organisational capabilities and funding platform. Julian has over 15 years experience in the real estate sector and a diverse background in strategy, property and law.

Julian has worked for a number of Australia's leading developers including Stockland and Multiplex Brookfield. He has held senior management positions in funds management, business development and project delivery.

In addition to his real estate experience, Julian has worked as a property and finance lawyer at Clayton Utz and as a strategy consultant at Bain & Company. Julian has a Bachelor of Laws, and a first class honours degree in Civil Engineering.



Simon Pagett
HEAD OF URBAN RENEWAL DIVISION
B Eng (Civil-NSW), Licensed Real Estate Agent

Simon Pagett joined UrbanGrowth NSW in March 2014 as the Head of the Urban Renewal Division, overseeing the delivery of the Major Urban Renewal Portfolio. Simon has over 27 years of experience in the property industry working with Lend Lease.

Simon has a depth of operational and strategic experience in building and leading teams as part of the management of a diverse portfolio of large scale infrastructure and urban renewal projects with complex approval processes.

In his time with the Lend Lease Corporation, Simon filled a variety of senior roles, including managing the Communities Portfolio for NSW/ACT, General Manager, Development (Retirement Living and Aged Care), and Chief Operating Officer of Lend Lease Residential.

Simon's previous roles have seen him hold senior positions on a number of high profile projects including Brisbane's new International Airport Terminal and the Sydney 2000 Olympic Village. Simon has a Bachelor of Engineering, Civil Engineering, and is a licensed Real Estate Agent.

Management team



Lisa Rippon-Lee
HEAD OF CORPORATE AFFAIRS

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

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

Lisa brings a wealth of experience across corporate marketing and branding, and communications.



Robert Sullivan
HEAD OF RETAIL TRANSITION
Dip Tech Mktg, MMG

Robert's role as the Head of Retail Transition oversees the transition of UrbanGrowth NSW's business focus to major urban transformation projects. He has over 25 years experience in sales and marketing, including the position of General Manager, Corporate Marketing, at UrbanGrowth NSW for six years. He joined the organisation in November 2007.

Robert has held other head of marketing roles within the development, gaming, entertainment, television, club and sports industries. He has worked as the Senior Marketing Manager for the Australian Jockey Club, Executive Marketing Manager for Clubs NSW, and Director, Sales and Marketing, for Stargames Corporation Pty Ltd.

Robert holds a Masters in Management, a Marketing Management Certificate, and a Marketing Certificate.



Simone Westcott
GENERAL MANAGER, HUMAN RESOURCES
Dip. HR MGT

Simone Westcott was appointed as General Manager, Human Resources, in September 2012. She has more than 17 years experience in human resources spanning a number of industries including hospitality, financial services and property.

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

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



Victoria White
GENERAL MANAGER, PORTFOLIO MANAGEMENT
B Eng, MBA, GDEnv, MEcon

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

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

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



Frances Wilmore
GENERAL MANAGER, LEGAL
BA LLB Grad Dip Leg Prac

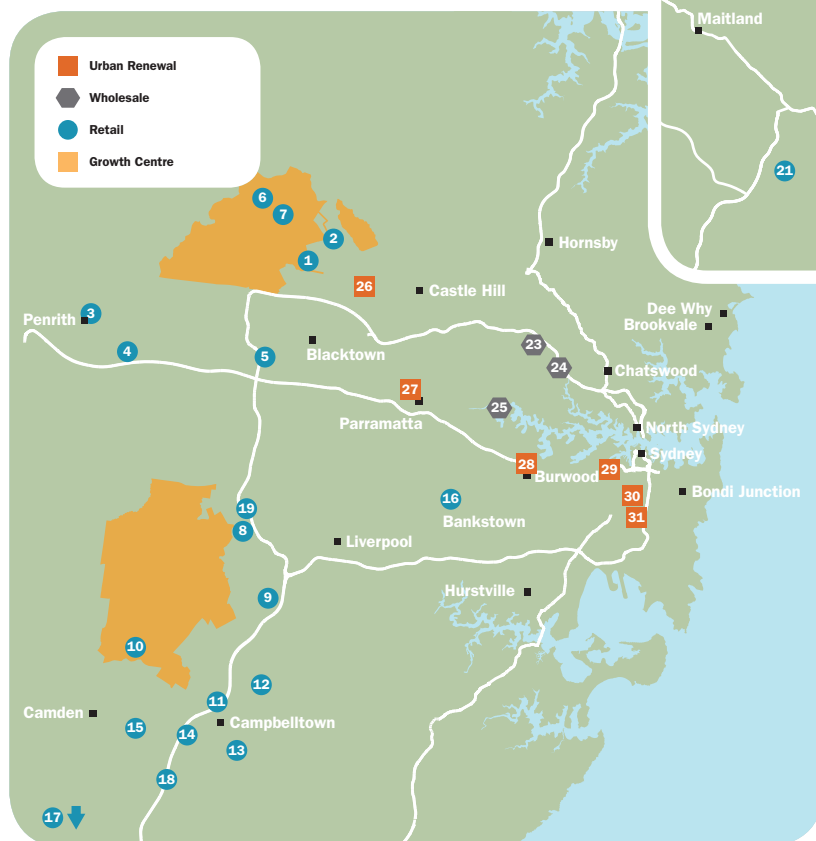
Frances is the key legal advisor to UrbanGrowth NSW's executive and senior management teams on a range of complex legal matters. Frances began her career in the private sector and has over 20 years experience in the public sector with extensive experience in property and contract law, negotiating complex transactions, and corporate governance.

Frances has been with UrbanGrowth NSW since 1997, assuming the position of General Manager, Legal, in 2004. Frances manages the legal team, which looks after the full range of UrbanGrowth NSW's legal and policy requirements, as well as corporate governance.

Frances has a B Arts (English), Bachelor of Laws, a Graduate Diploma of Legal Practice, and has completed a Public Sector Management Course.

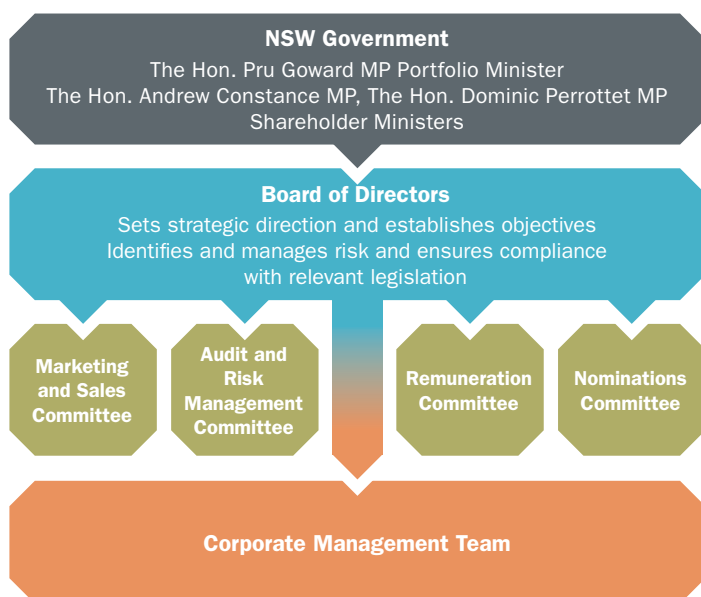
Our organisation

Project locations



- 1. The Ponds (Stages 1-4)
- 2. Rouse Hill
- 3. Thornton
- 4. Caddens
- 5. Bunya
- 6. Riverstone
- 7. Schofields Terrace
- 8. Highcrest
- 9. Edmondson Park
- 10. Oran Park Town
- 11. Claymore
- 12. One Minto
- 13. Airds/Bradbury
- 14. UWS Campbelltown (Macarthur)
- 15. Spring Farm (East Village)
- 16. Potts Hill
- 17. Renwick
- 18. Menangle Park
- 19. Elizabeth Hills
- 20. Fishermans Bay
- 21. Sanctuary
- 22. Vantage
- 23. Herring Road
- 24. North Ryde Station Precinct
- 25. Wentworth Point
- 26. North West Urban Renewal
- 27. Parramatta North Urban Renewal
- 28. Parramatta Road Urban Renewal
- 29. The Bays Urban Renewal Program
- 30. Central to Eveleigh Urban Renewal and Transport Program
- 31. Green Square Town Centre
- 32. Newcastle Urban Renewal and Transport Program

Governance



2014 Financial and Economic Achievements

Total revenue	\$636,475,184
Net profit after tax	\$116,728,799
Returned to the state government (dividends and tax equivalent payments)	\$117,385,304
Dwellings released to market	3,240
Jobs generated from our development activities	11,670
Economic output generated from Landcom's activities	\$914,649,319

Highlights of this year's achievements

In the past year we have been working to develop a cohesive, business-wide strategy that meets the demands of delivering a Major Urban Renewal Portfolio while transitioning out of what has been a highly successful land development business. UrbanGrowth NSW has continued to deliver against its mandate at the highest level, meeting the needs of NSW through housing and jobs, driving the economy, and investing in infrastructure.

Unlocking housing supply

Delivering against 10,000 home sites:

In March 2011, the government set us the task of delivering 10,000 home sites in Western Sydney over four years. By 30 June 2014, we had delivered a total of 7,531 home sites under the program, and we are ahead of our four year target by 725 home sites.

As part of this we:

- Achieved an organisational record of 2,918 sales reservations for the financial year including 2,666 in Western Sydney
- Released 3,078 home sites in year three of the 10,000 home sites program for Western Sydney and are on track to complete the program by early 2015, three months ahead of schedule.

Our sales have been buoyed by strong market conditions that have seen the accelerated release of lots readily absorbed, such that we have very little stock available.

Further to our achievements against the 10,000 home sites program, we:

- Completed and formally opened the \$25 million Community Resource Hub at The Ponds with Blacktown City Council in June 2014
- Delivered and officially opened the \$4.9 million Bungarrabee Community Resource Hub with Blacktown City Council

- Commenced construction on the \$4 million Retail Hub at The Ponds during the year, adding the final piece to Australia's fastest growing suburb
- Completed and handed over to Newcastle City Council the \$2 million Fletcher Community Centre and sporting complex at Sanctuary
- Won the UDIA NSW Award for Affordable Development for our Thornton development, which showcases our 21st Century Living homes
- Won the coveted President's Award at the Annual NSW Planning Institute of Australia Awards in November 2013 for Sydney's fastest growing town, Oran Park Town
- Progressed the development of the retail and rail station plaza precinct at Thornton after selecting a consortium of St Hilliers and First Point to deliver the project.



Bungarrabee Community Resource Hub



Wholesale projects

Our work across the wholesale portfolio in the past year has been focused on two main projects, North Ryde Station Precinct and Wentworth Point. These projects both have the potential to unlock significant housing opportunities and offer essential services to the community, as well as generate revenue for the state.

At North Ryde we saw the sale of our first superlot to Australand/LaSalle for \$46.5 million and we have now lodged two State Significant Development Applications. The first was Station Street and the second for the new M2 masterplan including roads, parks and infrastructure. For the M2 site we completed a design competition for the new masterplan, and a land swap transaction with Harvey Norman to improve accessibility.

At Wentworth Point we have not commenced any physical activity, but we have achieved several milestones in our major planning. Significantly, we worked with the Department of Planning and Environment, and Roads and Maritime Services in the rezoning of a 20 hectare location on the Parramatta River from light industrial to a high density, mixed use zoning that will accommodate 2,300 units. We also prepared a number of development applications for the implementation of enabling infrastructure over four stages.

This infrastructure includes a school that will accommodate an 18 classroom school site for the Department of Education and Communities. We also led studies related to the feasibility of various commercial maritime functions. Subject to market conditions, the property will be diversified in a range of lot sizes from 100-500 apartments.



North Ryde Station Precinct Plaza (artist's impression)

A focus on major urban transformation

The past year has seen UrbanGrowth NSW's government mandate to lead urban transformation revisited and made a priority. This reflects the importance of our work in facilitating the delivery of infrastructure, housing, job creation, and economic drive for NSW.

One of the projects we have made significant progress on is the Parramatta North Urban Renewal Program, which will commence in early 2015 following the project team's work this year in securing approval to start the rezoning process. The program has the potential to connect the Parramatta CBD with Westmead Hospital, revitalise the historical buildings, and provide much needed housing to support the growth of Parramatta.

We have also made steady progress on the revitalisation of Newcastle CBD. In the past 12 months approval was received for the light rail alignment and heavy rail truncation, which will enable work to commence in late 2014. One of the most exciting outcomes of this project is the revitalisation of the Hunter Street Mall, which offers a range of opportunities for local businesses and the wider community through the potential for mixed use development.

Further to this, the Green Square team has continued to secure a range of important approvals to enable the commencement of construction and to launch the first project and apartment sales in late 2014. The Parramatta Road, North West and Central to Eveleigh Urban Renewal Programs have established multi-agency project teams and agreement on deliverables for the next 12 months.



Newcastle aerial

The Bays Urban Renewal Program, including the International Summit for November 2014 has been announced, with the main output being the strategic plan to be completed by mid-2015. The Bays program is a world-class site with the potential for world-class urban transformation outcomes, situated merely two kilometres from the CBD.

UrbanGrowth NSW is responsible for designing and coordinating The Bays Precinct Sydney International Summit. The summit will be an excellent opportunity to elevate the awareness and debate around urban transformation in Sydney, and will demonstrate UrbanGrowth NSW's commitment to facilitating and delivering world-class urban transformation outcomes.

Reshaping our organisation

In the past year there have been significant changes to our organisation's ambition, strategy, and governance, following our new mandate from the NSW Government. Accordingly, the corporate divisions have worked to re-shape the organisation.

Across our entire portfolio we also have established the Portfolio Management Office and Operating Platform, including FY15 business plans. The Portfolio Management Office (now Business Assurance) provides oversight and

analysis for the Major Urban Renewal Portfolio (now across the whole organisation), ensuring programs run to their goals, and have realised and feasible plans for the future. It is an important initiative that defines the rigorous and measured approach UrbanGrowth NSW takes to ensuring world-class outcomes of our work.

Our Strategy division has been integral to developing this new direction, and worked to create the appropriate organisational structure, critical partnerships, and operating platform to align with it. In turn, Human Resources has recruited our Corporate Management Team, positions across the divisions, and worked to transition staff from all levels into Urban Renewal and Wholesale projects from the Retail division.

Our Corporate Affairs division has worked to provide invaluable support across the organisation through communications, government relations, community and stakeholder engagement, sustainability, and corporate marketing.

Corporate Services has continued in accordance with our organisational change, working with NSW Treasury, and meeting organisational government obligations, and ensuring the regular function of business as usual. Finally, the Legal division has continued to provide its essential background of support across every division.



Sydney aerial



Looking ahead to 2014-15

Organisational objectives

- We will pursue our ambition, 'Transforming city living' and be true to our values, Visionary, Accountable, Collaborative and Courageous
- We will focus on new urban transformation projects in strategic locations which are aligned with major infrastructure investment
- We will build a leading urban transformation authority in NSW by:
 - Introducing best practice portfolio management
 - Leading an international summit on urban transformation and bringing world class thinking to NSW
 - Developing project management capability in-house.

Retail objectives

- We will deliver our 'NSW 2021' commitment to release 10,000 home sites in Western Sydney
- We will continue to transition out of land development and minimise direct competition with the private sector.



Macarthur Heights (artist's impression)

Urban transformation objectives

We will take to the market:

- The North Ryde Station Precinct
- The Australian Technology Park
- North Eveleigh
- Wentworth Point.

We will commence physical works on:

- Green Square Town Centre
- Newcastle Urban Transformation
- North Parramatta Urban Transformation.

We will complete the urban renewal strategy for:

- The Bays Precinct
- Central to Eveleigh.

In addition, we will develop a new housing diversity pilot model.



Parramatta Road urban transformation (artist's impression)

Corporate activities

Our charter and function

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

UrbanGrowth NSW is the state's lead organisation responsible for urban transformation. Our ambition is to drive world class urban renewal that will deliver housing and jobs growth, and improve the amenity and liveability of urban spaces.

The government has established five key priorities for UrbanGrowth NSW as it undertakes its tasks.

MINISTERIAL STATEMENT OF PRIORITIES

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

PRINCIPAL OBJECTIVES

Our principal objectives under the Landcom Corporation Act 2001 are:

- a. to be a successful business and, to this end:
 - i to operate at least as efficiently as any comparable business, and
 - ii to maximise the net worth of the state's investment in us
- b. to exhibit a sense of social responsibility by having regard to the interests of the community in which we operate
- c. to protect the environment by conducting our operations in compliance with the principles of ecologically sustainable development contained in section 6 (2) of the Protection of the Environment Administration Act 1991

- d. to exhibit a sense of responsibility towards regional development and decentralisation in the way in which we operate
- e. to undertake, or assist the government in undertaking, strategic or complex urban development projects
- f. to assist the government in achieving its urban management objectives, and
- g. to be a responsible developer of residential, commercial and industrial land.

Board of Directors, meetings and committees

BOARD OF DIRECTORS

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

During the reporting period, the Directors were:

Mr John Brogden AM | Chairman

Ms Bonita Boezeman AO | Director

Mr Robert Hamilton | Director

Mr Matthew Quinn | Director

The gender breakdown for the Board during 2013-14 was 25% women and 75% men.

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

BOARD MEETINGS

Unless otherwise agreed, the Board meets on the fourth Monday of each month. The number of meetings attended by each Director during the reporting period was as follows:

Attendance

Director	Board meetings attended	Board meetings eligible to attend
Mr J Brogden AM	12	12
Ms B Boezeman AO	12	12
Mr R Hamilton	12	12
Mr M Quinn	9	9

COMMITTEE MEETINGS

Directors participated in four committees during the reporting period, the membership of which is reviewed annually. Director's membership of the committees during the reporting period was as follows:

Audit and Risk Management Committee:

Ms Bonita Boezeman AO | Chair

Mr Robert Hamilton

Mr Matthew Quinn

Marketing and Sales Committee:

Ms Bonita Boezeman AO | Chair

Mr Robert Hamilton

Remuneration Committee:

All Directors

Nomination Committee:

All Directors

Measuring performance

We consider ourselves successful if we:

- Are recognised as the key government agency responsible for driving development in NSW
- Apply our commercial acumen to maximise economic returns to government
- Are financially self sustainable with robust and specifically targeted financial ratios
- Enjoy mutually beneficial relationships with our stakeholders
- Are an employer of choice.

The Board reviews its performance in various formats, including feedback from Directors, senior management and stakeholders. The last formal review of the Board's

performance was conducted in late 2011. A formal performance review was postponed during the reporting period due to the business shift from Landcom to UrbanGrowth NSW and to account for ongoing changes to the composition of the Board.

A performance management system is in place for all employees (see, Implementing our values, on page 25). This system provides for twice yearly review of individual performance.

Risk management and insurance

RISK MANAGEMENT

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

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

- A commitment to risk management from the Board, Chief Executive Officer, executive and all staff
- Enhanced the integration of risk management processes within our business processes
- Assigned risk management responsibilities within the organisation
- Refined our risk framework and improved guidelines on risk tolerance and reporting accountability
- Allocated appropriate resources to the training and development of relevant stakeholders in enhanced risk awareness and continual improvement.

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

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

The Audit and Risk Management Committee is made up of non-executive directors and is attended by staff representatives as well as independent experts and observers. The committee regularly considers a range of risk matters arising from internal and external audits as well as independent assessments of performance against our Environmental Management System.

BUSINESS CONTINUITY

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

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

INSURANCE

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

UrbanGrowth NSW completed its 2014-15 Renewal Declarations for the Treasury Managed Fund in November 2013 and renewed all covers for the 2014-15 policy period.

Public access to information and the protection of privacy

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

During the reporting period, two formal access applications under the Government Information (Public Access) Act 2009 (GIPA) were received. We declined to deal further with one application by reason of the applicant failing to pay an advance deposit. The second application is still being processed.

The following tables contain statistical information about the formal access applications received in 2013-14.

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

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

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

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

Table C | Invalid applications

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

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

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

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

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

Table F | Timelines

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

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

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

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

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

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

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

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

During the year, UrbanGrowth NSW:

- Considered the formal access applications received
- Considered any informal applications received
- Determined that there were no particular categories of information that were being regularly or repeatedly requested in the formal applications
- Consulted with our staff about information and categories of information that is frequently requested. This consultation occurred through attendance at team meetings, and GIPA briefings and updates
- Discussed with the Right to Information Officers of other state-owned corporations the categories of information that they proactively release.

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

- The UrbanGrowth NSW website which involves the release of new and updated information on our new role, current activities and policies
- The updating of a revised Landcom website which involved the release of new and updated information on the retailing of Landcom home sites, including new and updated information on policies, procedures and guidelines to consumers and other stakeholders.

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

PRIVACY

We are committed to ensuring that individual privacy is protected and our activities comply with the Privacy and Personal Information Protection Act 1998 (NSW) and the Privacy Amendment (Enhancing Privacy Protection) Act 2012 (Commonwealth).

Our privacy management plan is based on 12 information protection principles of the Privacy and Personal Information Protection Act 1998 (NSW) (PIIP Act), which establish standards for using personal information. These are:

PRINCIPLE 1 (S.8 PIIP Act)

Collection of personal information for lawful purposes

PRINCIPLE 2 (S.9 PIIP Act)

Collection of personal information directly from the individual

PRINCIPLE 3 (S.10 PIIP Act)

Requirements when collecting personal information

PRINCIPLE 4 (S.11 PIIP Act)

Other requirements relating to collection of personal information

PRINCIPLE 5 (S.12 PIIP Act)

Retention and security of personal information

PRINCIPLE 6 (S.13 PIIP Act)

Information about personal information held by agencies

PRINCIPLE 7 (S.14 PIIP Act)

Access to personal information held by agencies

PRINCIPLE 8 (S.15 PIIP Act)

Alteration of personal information

PRINCIPLE 9 (S.16 PIIP Act)

Agency must check accuracy of personal information before use

PRINCIPLE 10 (S.17 PIIP Act)

Limits on use of personal information

PRINCIPLE 11 (S.18 PIIP Act)

Limits on disclosure of personal information

PRINCIPLE 12 (S.19 PIIP Act)

Special restrictions on disclosure of personal information.

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

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

**The Right to Information Officer and Privacy Coordinator
UrbanGrowth NSW**

PO Box 237

Parramatta NSW 2124

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

PUBLIC INTEREST DISCLOSURES ACT 1994

The following table contains information about our obligations under Section 31 of the Public Interest Disclosures Act.

Section 31 Report	
Public interest disclosures made by public officials in performing their day to day functions	0
Public interest disclosures not covered by (1) that are made under a statutory or other legal obligation	0
All other public interest disclosures	0
Number of public interest disclosures we received relating to:	
i. Corrupt conduct	0
ii. Maladministration	0
iii. Serious and substantial waste of public money	0
iv. Government information contraventions	0
v. Local government pecuniary interest contraventions	0
Total	0
Number of public interest disclosures we finalised	0
Whether we have a public interest disclosures policy in place	Yes
Action taken by us to ensure that our staff awareness responsibilities under s 6E(1)(b) of the Act have been met	Staff briefings and training during induction; staff undertaking that they have read and understood our internal reporting policy; statement from the head of our organisation; publicising the review of the PID policy

Work health and safety

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

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

The Chief Financial Officer is responsible for our work health and safety system, with underpinning processes managed by the Senior Manager, Financial Systems and Risk. We operate a work health and safety consultation committee with staff volunteers and nominated management representatives in accordance with our work health and safety policy. The committee meets quarterly to review previously raised issues, new issues and any near-miss incidents brought to its notice.

The work health and safety system and processes have enabled:

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

There were no lost time injuries at sites under our direct control during the reporting period.

Multicultural policies and services program 2013–2014

ETHNIC AFFAIRS PRIORITIES STATEMENT

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

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

Over the past year, UrbanGrowth NSW's Welcome Program facilitators made contact with over 1,500 households in nine new housing developments. The Ponds, One Minto, Bunya and Potts Hill are the UrbanGrowth NSW projects with the highest proportion of CALD residents (e.g. in The Ponds, over 50% of the population were born overseas). Specific initiatives were implemented in these projects to assist community members and to bring different community groups together. These initiatives included culturally themed welcome events, Harmony Day events, culturally appropriate catering and employment of staff from CALD backgrounds.

Harmony Day events were held in March 2014 as part of UrbanGrowth NSW Welcome Programs in Blacktown, Campbelltown and Camden. These were a celebration of each community's diversity and multiculturalism. Thirty-eight per cent of Blacktown residents and 28% of Campbelltown residents were born overseas (ABS 2011).

During the year we continued our Walking School Bus program, with six schools participating in northwest Sydney. This program delivers a number of positive health and environmental outcomes, with regular participation from over 300 students. It is estimated that up to 50% of participants come from CALD backgrounds.

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

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

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

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

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

Ethnic Affairs Initiative	Key Result Area	Strategies/ Tasks	Responsibility	Resources/ Budget	Performance Indicators	Report 2013-2014	Goals for 2014-2015
Develop and implement stakeholder consultation plans.	Social Justice [1.9 Planning for Cultural Diversity]	Provide at least one consultation opportunity at project planning stage, via a Welcome Program or community development activities.	General Manager Development - Retail	Division budget.	100% of projects.	100% of current projects implemented community consultation activities.	100% of current projects to report on implemented community consultation activities.
Improve information about interpretive and translation services in all relevant UrbanGrowth NSW marketing and sales material.	Social Justice [1.7 Access to Interpreters and Translators]	Review current marketing and sales material for appropriate information.	General Manager Development - Retail	Marketing budget.	Review completed (timeliness).	Translating and interpreting services established in all offices. Interpreters used for specific community meetings.	Provide references to translation and interpreting services in marketing and community information.
Use ABS census data to identify languages spoken by emerging communities in UrbanGrowth NSW estates.	Social Justice [1.7 Access to interpreters and translators]	Arrange for access to interpretive and translation services. Provide Welcome Program information in key community languages.	General Manager Development - Retail	Project budgets.	Annual review of ABS census data (timeliness).	Census and project survey data reviewed for all UrbanGrowth NSW projects where there was an active Welcome Program to identify major CALD Communities.	Initiate a minimum of one community development project or event in each Welcome Program that addresses the needs and interests of identified CALD groups.
CALD community based organisations actively encouraged to tender for the delivery of UrbanGrowth NSW Welcome Programs in new estates.	Social Justice [1.9 Planning for Cultural Diversity]	Facilitate information sessions prior to the expressions of interest process (EOI), outlining the role and benefit of UrbanGrowth NSW Welcome Programs.	General Manager Development - Retail	Project budgets.	Number of CALD community based organisations submitting EOIs for the delivery of new Welcome Programs.	A CALD community based organisation (Macarthur Diversity Services Inc) is currently delivering UrbanGrowth NSW Welcome Program at Minto.	Encourage CALD community based organisations to tender for delivery of UrbanGrowth NSW Welcome Programs in projects with anticipated high percentage of CALD residents.
Identify strategies to increase participation by CALD young people in UrbanGrowth NSW Welcome Programs.	Social Justice [1.9 Planning for Cultural Diversity]	Undertake consultation with young people in established UrbanGrowth NSW communities.	General Manager Development - Retail	Marketing and/or project budgets.	Consultation undertaken and CALD youth strategies included in project based community activities (timeliness).	Harmony Day and cultural activities delivered in UrbanGrowth NSW projects with high percentage of CALD families and young people (Minto, The Ponds, Bunya and Potts Hill).	Plan and deliver specific initiatives for CALD families and young people in welcome and community development programs.
Develop strategic partnerships with CALD community based organisations for delivery of community development initiatives in UrbanGrowth NSW estates.	Community Harmony [2.1 Community Development]	Invite CALD organisations to submit proposals for community development initiatives in UrbanGrowth NSW estates.	General Manager Development - Retail	Division budget.	Partnership established and maintained.	Macarthur Diversity Services Inc and Catholic Care Social Services delivered a range of community development initiatives (playgroups, environmental education etc) in UrbanGrowth NSW Minto and Bunya projects.	Continue to develop partnerships that enable community development programs to better address the needs of CALD residents in Landcom communities.

Workforce Diversity performance

UrbanGrowth NSW has a workforce diversity policy in place. Our code of conduct also stipulates our commitment to workforce diversity.

WORKFORCE DIVERSITY 2013-14

In 2013-14, we undertook the following initiatives:

- We provided access for women to leadership, management and professional development programs
- We provided all new employees with a formal induction to the organisation. The induction program covers UrbanGrowth NSW's workplace practices and includes policies on work health and safety, fair treatment at work, a bullying and harassment-free workplace, grievance procedures and flexible work arrangements
- We established a 'Women in Property' working group to look at issues facing women in our industry and to develop solutions that can be implemented throughout UrbanGrowth NSW
- We held Anti-Bullying and Harassment training conducted by a consultant from the Anti-Discrimination Board.

PLANNED OUTCOMES FOR 2014-15

The following initiatives are planned for 2014-15:

- Training in workforce diversity principles to be conducted for all new employees
- Provide ongoing manager training in leadership skills including performance development, emotional intelligence and effective communication skills

- Provide ongoing professional development opportunities for all staff through the preparation of career and development plans as part of UrbanGrowth NSW's performance development review process
- Offer ongoing coaching/mentoring through UrbanGrowth NSW's training and development program, which provides a structure for the growth and development of employees
- Provide training, where necessary, on merit recruitment principles to reinforce our values and workforce diversity standards when recruiting for roles both internally and externally.

ADDRESSING DISCRIMINATION IN THE WORKPLACE

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

- We provide an induction website to all new staff which covers employment conditions, workplace practices, our policies on fair treatment, grievance procedures, and a harassment and bullying-free workplace
- We update policies on fair treatment, grievance procedures, and a harassment and bullying-free workplace
- We provide manager training in leadership skills, including performance development and effective communication skills
- We revise performance management practices across the organisation, including the definition and communication of UrbanGrowth NSW's expected standards of behaviour.

There were no incidents of discrimination reported during 2013-14.

5 Parliamentary Annual Report Tables

Trends in the Representation of Workforce Diversity Groups

Workforce Diversity Group	Benchmark/Target	2012	2013	2014
Women	50%	45.1%	45.8%	47.1%
Aboriginal People and Torres Strait Islanders	2.6%	0.0%	0.0%	0.0%
People whose First Language Spoken as a Child was not English	19.0%	22.6%	22.9%	21.3%
People with a Disability	N/A	2.3%	2.1%	3.4%
People with a Disability Requiring Work-Related Adjustment	1.5%	0.0%	0.0%	0.6%

Trends in the Distribution of Workforce Diversity Groups

Workforce Diversity Group	Benchmark/Target	2012	2013	2014
Women	100	85	86	84
Aboriginal People and Torres Strait Islanders	100	N/A	N/A	N/A
People whose First Language Spoken as a Child was not English	100	96	92	93
People with a Disability	100	N/A	N/A	N/A
People with a Disability Requiring Work-Related Adjustment	100	N/A	N/A	N/A

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

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

NSW GOVERNMENT ACTION PLAN FOR WOMEN

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

- Promoting the development of career plans for all women through the performance development system (including access to professional development programs)
- Ensuring participation by women in UrbanGrowth NSW's leadership and management development programs
- Implementing training and development programs, which include coaching and mentoring
- Providing access to flexible working arrangements, including part-time employment, job share and working from home.

WRAPP performance

The NSW Waste Reduction and Purchasing Policy (WRAPP) is part of the 2008 NSW Government Sustainability Policy. During the year we introduced co-mingled recycling bins alongside the general waste bins in our head office to increase recycling rates. This initiative was done as part of our office move to new premises. More information is available in our Sustainability Performance Report, located within the UrbanGrowth NSW Annual Review.

Our guarantee of service

CODE OF CONDUCT

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

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

IMPLEMENTING OUR VALUES

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

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

COMPLAINTS AND COMPLIMENTS SYSTEM

UrbanGrowth NSW welcomes feedback from all stakeholders and has a complaints and compliments handling system.

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

This year, there was a slight decrease in the number of complaints we received compared to the previous reporting period (17 complaints compared to 22 in 2012-13, see table below). We received complaints about our construction, marketing and sales activities.

During 2013-14, we also received six formal compliments relating to customer service, professionalism and our willingness to participate in professional events.

Category of Complaint	2013-2014 Number of complaints	2012-2013 Number of complaints
Design	2	4
Environment	2	3
Marketing / Sales	7	9
Miscellaneous	6 (1 construction and 5 other)	6 (5 construction and 1 other)
Total	17	22

PROCEDURES FOR SHAREHOLDER AND EMPLOYEE CONSULTATION AND FEEDBACK

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

All Heads of Division/General Managers hold regular meetings to discuss issues with their staff. Significant issues are reported to the Chief Executive Officer monthly by each Head of Division/General Manager. Any matters arising from this process that require the Board's attention are reported by the Chief Executive Officer in a monthly update report, which is a standing item on every Board meeting agenda.

Executive positions

Total remuneration for senior executives is calculated as the sum of the cost of employment, including contributions to a superannuation scheme by UrbanGrowth NSW and novated lease payments for a motor vehicle, where such an option has been exercised. The payment of an 'at risk' component is determined based on the performance of the corporation and each senior executive.

The Chief Executive Officer's performance is reviewed on a half yearly basis by the Chairman, who reports the outcome of his review to the Remuneration Committee. The Chief Executive Officer reviews the performance of each of the Heads of Division on a half yearly basis, and the findings from the annual review are reported to the Remuneration Committee.

Band	2014	
	Female	Male
Band 4 (Secretary)	0	1
Band 3 (Deputy Secretary)	1	5
Band 2 (Executive Director)	3	0
Band 1 (Director)	0	0
Totals	4	6
	10	

Band	Range	Average Remuneration 2014
	\$	\$
Band 4 (Secretary)	422,501 – 488,100	520,000
Band 3 (Deputy Secretary)	299,751 – 422,500	358,333
Band 2 (Executive Director)	238,301 – 299,750	290,000
Band 1 (Director)	167,100 – 238,300	0

12.45% of UrbanGrowth NSW's employee related expenditure in 2014 was related to senior executives.

Miscellaneous activities

PROMOTION

During the reporting period, we maintained and enhanced websites for UrbanGrowth NSW and Landcom. We also produced publications promoting the release of land, which were supported by a sales plan, price list and advertising campaigns.

Information concerning our corporate activities was communicated to stakeholders through the Landcom Annual Review 2012-13, and via our website at: www.urbangrowthnsw.com.au

PRODUCTION COST OF ANNUAL REPORT

The overall cost of producing and printing the 2013-14 Annual Report is estimated at approximately \$9,900.

CONSULTANCIES

We spent a total of \$948,000 during the reporting period on consultants. These engagements were for strategic planning and to support the transition to UrbanGrowth NSW.

OVERSEAS VISITS

There were no overseas trips undertaken during the reporting period.

Disclosure of approved exemptions

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

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

Statutory Requirements	Act/Regulation References	Comments
<p>Land disposal:</p> <ul style="list-style-type: none"> • Properties disposed of during the year: <ul style="list-style-type: none"> - total number - total value • If value greater than \$5 million and not by public auction or tender: <ul style="list-style-type: none"> - list of properties - for each case, name of person who acquired the property and proceeds from disposal • Details of family or business connections between the purchaser and the person responsible for approving the disposal • Statement giving reasons for the disposal • Purpose/s for which proceeds were used • Statement indicating that access to the documents relating to the disposal can be obtained under the Freedom of Information Act. 	Schedule 1 Annual Reports (Statutory Bodies) Regulation 2010	
<p>Consumer responses:</p> <ul style="list-style-type: none"> • Extent and main features of complaints • Services improved/changed in response to complaints/suggestions. 	Schedule 1 Annual Reports (Statutory Bodies) Regulation 2010	Exemption subject to a condition that comments and information relating to "consumer responses" are to be disclosed in a summarised form.
<p>Payment of accounts:</p> <ul style="list-style-type: none"> • Performance in paying accounts, including action to improve payment performance. 	Schedule 1 Annual Reports (Statutory Bodies) Regulation 2010	This exemption only applies to statutory state-owned corporations as they are not subject to the payment of accounts provisions in s.15 of the Public Finance and Audit Regulation.
<p>Time for payment of accounts:</p> <ul style="list-style-type: none"> • Reasons for late payment • Interest paid due to late payments. 	Schedule 1 Annual Reports (Statutory Bodies) Regulation 2010	As above.
Report on risk management and insurance activities	Schedule 1 Annual Reports (Statutory Bodies) Regulation 2010	Exemption subject to a condition that the comments and information are to be disclosed in a summarised form.
<p>Disclosure of controlled entities:</p> <ul style="list-style-type: none"> • Details of names, objectives, operations, activities of controlled entities and measures of performance. 	Schedule 1 Annual Reports (Statutory Bodies) Regulation 2010	Exemption subject to a condition that the names of the controlled entities be disclosed along with a summary of the controlled entities' objectives, operations, activities and measures of performance.
Investment performance	Schedule 1 Annual Reports (Statutory Bodies) Regulation 2010	
Liability management performance	Schedule 1 Annual Reports (Statutory Bodies) Regulation 2010	

- 1 *More than one decision can be made in respect of a particular access application. If so, a recording must be made in relation to each such decision. This also applies to Table B.*
- 2 *More than one public interest consideration may apply in relation to a particular access application and, if so, each such consideration is to be recorded (but only once per application). This also applies in relation to Table E.*





Parramatta North Urban Renewal (artist's impression)

Financial statements

FOR YEAR ENDING 30 JUNE 2014



INDEPENDENT AUDITOR'S REPORT

Landcom (trading as UrbanGrowth NSW)

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of Landcom (the Corporation), which comprise the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Corporation as at 30 June 2014, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010

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

Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

My opinion does *not* provide assurance:

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

Independence

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

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



M T Spriggins
Director, Financial Audit Services

27 August 2014
SYDNEY

LANDCOM TRADING AS URBANGROWTH NSW

DIRECTORS' DECLARATION

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

- (a) The financial statements:
 - (i) exhibit a true and fair view of the financial position of Landcom trading as UrbanGrowth NSW as at 30 June 2014 and of its performance, as represented by the results of its operations and its cash flows for the year ended on that date;
 - (ii) comply with Australian Accounting Standards, AASB Interpretations, the *State Owned Corporations Act 1989*, the *Public Finance and Audit Act 1983* and the *Public Finance and Audit Regulation 2010*.
- (b) We are not aware of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.
- (c) At the date of this statement, there are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they fall due.

Signed in accordance with a resolution of the Directors:



JOHN BROSDEN
Chairman

25 August 2014
Sydney



BONITA BOEZEMAN
Director

Statement of comprehensive income

FOR THE YEAR ENDED 30 JUNE 2014

	Notes	2014 \$'000	2013 \$'000
Continuing Operations			
Sales revenue	2(a)	636,475	538,972
Cost of sales		(412,974)	(360,258)
Gross Profit		223,501	178,714
Other revenue	2(b)	7,314	7,323
Finance income	2(c)	3,710	1,959
Marketing expenses	3	(7,451)	(9,839)
Employee related expenses	4	(20,891)	(16,402)
Other operating expenses	5	(31,860)	(31,144)
Depreciation and amortisation expense	6	(1,111)	(977)
Finance costs	7	(6,730)	(10,358)
Profit/(loss) on sale of property, plant and equipment		279	(661)
Profit from continuing operations before income tax equivalent expense		166,761	118,615
Income tax equivalent expense	8	(50,031)	(35,587)
Net profit for the year		116,730	83,028
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Superannuation actuarial gain/(losses) on defined benefit plans	19	(3,662)	6,755
Income tax on items that will not be reclassified to profit or loss		1,098	(2,027)
Gain on revaluation of assets			315
Total items that will not be reclassified to profit or loss		(2,564)	5,043
Items that may be reclassified subsequently to profit or loss			
Income tax on items that may be reclassified subsequently to profit or loss		-	-
Total items that may be reclassified subsequently to profit or loss		-	-
Other comprehensive income for the year (net of tax)		(2,564)	5,043
Total comprehensive income for the year		114,166	88,071

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

Statement of financial position

AS AT 30 JUNE 2014

	Notes	2014 \$'000	2013 \$'000	1 July 2012 \$'000
Assets				
<i>Current Assets</i>				
Cash and cash equivalents	9	92,508	50,874	16,734
Trade and other receivables	10	12,423	11,067	16,704
Inventories	11	308,419	314,264	289,347
Other current assets	12	4,922	5,807	5,860
Total Current Assets		418,272	382,012	328,645
<i>Non-Current Assets</i>				
Trade and other receivables	10	9,434	10,922	14,043
Inventories	11	401,145	436,802	412,974
Property, plant and equipment	13	7,465	9,006	5,060
Intangible assets	14	161	194	659
Deferred tax assets	15	11,529	10,299	41,259
Other non-current assets	12	29	-	-
Total Non-Current Assets		429,763	467,223	473,995
TOTAL ASSETS		848,035	849,235	802,640
Liabilities				
<i>Current Liabilities</i>				
Trade and other payables	16	84,835	131,926	136,990
Borrowings	20	60,681	31,926	29,589
Current tax liabilities	17	22,036	13,393	35,526
Provisions	18	162,685	161,343	143,376
Total Current Liabilities		330,237	338,588	345,481
<i>Non-Current Liabilities</i>				
Trade and other payables	16	5,640	1,228	10,453
Borrowings	20	27,173	86,613	59,697
Provisions	18	57,332	42,040	35,843
Deferred tax liabilities	21	2,146	2,071	2,213
Total Non-Current Liabilities		92,291	131,952	108,206
TOTAL LIABILITIES		422,528	470,540	453,687
NET ASSETS		425,507	378,695	348,953
Equity				
Contributed capital	22	275,847	275,847	275,847
Reserves		95	315	473
Retained earnings		149,565	102,533	72,633
TOTAL EQUITY		425,507	378,695	348,953

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

Statement of cash flows

FOR THE YEAR ENDED 30 JUNE 2014

	Notes	2014 \$'000	2013 \$'000
Cash flows from operating activities			
Receipts from customers		585,659	608,360
Interest received		2,091	910
Payments to suppliers and employees		(411,288)	(526,720)
Income tax equivalent paid		(41,446)	(29,063)
Finance costs		(5,795)	(9,909)
Net cash flows(used in)/ from operating activities	23(b)	129,221	43,578
Cash flows from investing activities			
Payment for property, plant and equipment		(999)	(6,824)
Proceeds from sale of property, plant and equipment		1,741	1,747
Net cash flows (used in)/from investing activities		742	(5,077)
Cash flows from financing activities			
Proceeds of borrowings		-	226,916
Repayment of borrowings		(30,000)	(197,441)
Dividends paid to NSW Treasury		(58,329)	(33,836)
Net cash flows used in financing activities		(88,329)	(4,361)
Net decrease in cash and cash equivalents		41,634	34,140
Cash and cash equivalents at the beginning of the year		50,874	16,734
Cash and cash equivalents at the end of the year	23(a)	92,508	50,874

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

Statement of changes in equity

FOR THE YEAR ENDED 30 JUNE 2014

	Contributed capital \$'000	Properties revaluation reserve \$'000	Retained earnings \$'000	Total equity \$'000
Balance as at 1 July 2013	275,847	315	103,945	380,107
Changes in accounting policy			(1,412)	(1,412)
Restated total equity at 1 July 2013	275,847	315	102,533	378,695
Profit for the year	-	-	116,730	116,730
Other comprehensive income				
Superannuation actuarial on defined benefit plans	-	-	(3,662)	(3,662)
Income tax relating to components of other comprehensive income	-	-	1,098	1,098
Transfer to reserve on revaluation of asset, net of tax	-	-	-	-
Transfer from reserve on disposal of asset, net of tax	-	(220)	220	-
Total other comprehensive income	-	(220)	(2,344)	(2,564)
Total comprehensive income for the year	-	(220)	114,386	114,166
Transactions with owners in their capacity as owners				
Dividends to NSW Treasury	-	-	(67,354)	(67,354)
Balance as at 30 June 2014	275,847	95	149,565	425,507
Balance as at 1 July 2012	275,847	473	74,670	350,990
Changes in accounting policy			(2,037)	(2037)
Restated total equity at 1 July 2012	275,847	473	72,633	348,953
Profit for the year	-	-	83,028	83,028
Other comprehensive income				
Superannuation actuarial losses on defined benefit plans	-	-	6,755	6,755
Income tax relating to components of other comprehensive income	-	-	(2,027)	(2,027)
Transfer to reserve on revaluation of asset, net of tax	-	315	-	315
Transfer from reserve on disposal of asset, net of tax	-	(473)	473	-
Total other comprehensive income	-	(158)	5,201	5,043
Total comprehensive income for the year	-	(158)	88,229	88,071
Transactions with owners in their capacity as owners				
Dividends to NSW Treasury	-	-	(58,329)	(58,329)
Balance as at 30 June 2013	275,847	315	102,533	378,695

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

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2014

REPORTING ENTITY

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

The financial statements for the year ended 30 June 2014 have been authorised for issue by the Board on 25 August 2014.

UrbanGrowth NSW undertakes and participates in residential, commercial, industrial and mixed development projects and provides advice and services related to urban development, on a commercial basis, to government agencies and others. Under the organisation's new direction there is a focus on co-ordination of urban renewal projects including unlocking the barriers to private sector development.

UrbanGrowth NSW also provides management services to the Crown Lands Homesites Program.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of Preparation

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

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

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

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

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

1.2 Statement of Compliance

The financial statements and notes comply with the Australian Accounting Standards, which include Australian Accounting Interpretations. The accounting policies have been consistently applied, unless stated otherwise.

1.3 Revenue Recognition

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

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

1.4 Expenditure Recognition

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

1.5 Employee Benefits

All liabilities for employee benefits are fully provided for in accordance with *AASB 119 Employee Benefits* (refer to Note 18). Employee benefits applicable to UrbanGrowth NSW are shown below.

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2014

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

1.5 Employee Benefits (*continued*)

Salaries and annual leave

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

Non-vesting sick leave

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

Long service leave

Long service leave is measured on a nominal value basis and compared to present value calculated in accordance with *AASB 119 Employee Benefits* for all employees with 5 or more years of service in the public sector every three years. The provision is calculated using estimated future increases in salary rates including related on-costs. This is in accordance with TC14/04 Accounting for Long Service Leave and Annual Leave.

Superannuation

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

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

The SAS Trustee Corporation through the fund's actuary has determined that unfunded superannuation contributions as at 30 June 2014 for the SASS, SANCS and SSS was estimated at \$18.659 million (2013: \$14.381 million).

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

Redundancy payments

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

Payroll on-costs

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

1.6 Insurance

UrbanGrowth NSW carries a comprehensive range of insurances covering property, public liability, motor vehicles and other contingencies through the NSW Treasury Managed Fund of self-insurance for Government agencies. The expense (premium) is determined by the Fund Manager based on past claim experience. These insurance policies are reviewed annually to ensure that they are adequate and were current at 30 June 2014. No major claims exist under these policies at 30 June 2014.

1.7 Leases

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

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

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2014

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

1.7 Leases (*continued*)

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

UrbanGrowth NSW has operating leases in place in respect of its head office premises in Sydney CBD, Parramatta, regional office in Newcastle, Tuncurry and sales offices at various locations within New South Wales. There are no contingent rentals payable in respect of these leases and the terms of renewal are between 1 and 4 years after lease terms expire.

1.8 Capitalisation of Expenses - Development Costs and Cost of Sales

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

1.9 Income Tax Equivalent Expense

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

Current tax

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

Deferred tax

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

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

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

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

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

Current and deferred tax for the year

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

1.10 Dividends to the NSW Treasury

UrbanGrowth NSW is required to pay dividends to the Consolidated Fund of NSW Treasury in accordance with the *State Owned Corporations Act 1989* and as agreed in the Statement of Corporate Intent. For the year ended 30 June 2014, dividends are calculated in accordance with TPP 14-04 Financial Distribution Policy for Government Businesses.

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2014

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

1.11 Goods and Services Tax

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

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

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

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

1.12 Cash and Cash Equivalents

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

1.13 Trade and Other Receivables

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

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

Interest is charged on overdue settlement monies where agreed settlement dates are not met. The rate of interest applied varied during the year and is currently 11.38% (2013: 11.88%). Sales are made on varying terms, but generally on a 30-day exchange and 30-day settlement basis.

1.14 Inventories - Land Classification

Inventories comprise undeveloped land, work in progress and developed land. Undeveloped land with medium to long-term development potential is classified as a non-current asset. Land is classified as work in progress while it is under development, that is, from the time contracts are signed for work to proceed.

Developed land is land which has been subdivided and registered on completion of all development activity. Developed land and work in progress that are expected to be sold within the next 12 months are classified as current and the balance is classified as non-current. As the process of development progresses, land projects are reclassified from undeveloped land to work in progress, then, on completion, to developed land for sale.

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

1.15 Inventories - Land Valuation

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

1.16 Land, Buildings (Sales Offices) and Leasehold Improvements

Land and buildings (sales offices) are initially recorded at their cost of acquisition. They are revalued every 5 years in accordance with Treasury guidelines (see Note 1.22). The last revaluation was performed in April 2013 by an external qualified valuer. These values were based on land and building sales in the areas in which the properties are located.

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

Land is not a depreciable asset.

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

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2014

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.17 Plant and Equipment

Plant and equipment are recorded at the cost of acquisition, plus major renovation or improvement costs, if any, and are shown at cost less accumulated depreciation and impairment. Depreciation on all plant and equipment is calculated on the basis of the useful life of the asset to UrbanGrowth NSW using the straight line method. The written down value of plant and equipment as at 30 June 2014 approximates fair value. Plant and equipment costing \$500 and above individually are capitalised.

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

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

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

1.18 Trade and Other Payables

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

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

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

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

1.19 Borrowings

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

1.20 Derivatives

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

1.21 Financial Instruments

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

Information is disclosed in Note 24, in respect of the credit risk and interest rate risk of financial instruments. All such amounts are carried at net fair value unless otherwise stated.

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

Effective interest method

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

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

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2014

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

1.21 Financial Instruments (*continued*)

Financial assets at fair value through profit or loss

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

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

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

Loans and receivables

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

Interest income is recognised by applying the effective interest rate.

Impairment of financial assets

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

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

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

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

Derecognition of financial assets

UrbanGrowth NSW derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If UrbanGrowth NSW neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, UrbanGrowth NSW recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If UrbanGrowth NSW retains substantially all the risks and rewards of ownership of a transferred financial asset, UrbanGrowth NSW continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

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

Derecognition of financial liabilities

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

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2014

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

1.22 Revaluation of Property, Plant and Equipment

Physical non-current assets are valued in accordance with the "Valuation of Physical Non-Current Assets at Fair Value" Policy and Guidelines Paper (TPP 14-1). This policy adopts fair value in accordance with AASB 116 *Property, Plant and Equipment* and AASB 140 *Investment Property*.

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

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

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

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

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

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

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

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

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

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

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

1.23 Provisions

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

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

The provision to complete projects captures all unpaid development costs which were included in the original land development schedule. It is raised as an estimate based on known costs at the time when the land is ready for sales release. The provision also includes the value of works completed at 30 June 2014 of any performance building contracts entered into by UrbanGrowth NSW.

Provisions for future rectification works relate to any matter outstanding on UrbanGrowth NSW projects which have for all intents and purposes been completed. All future costs that may result in connection with these completed projects are recognised as provisions.

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

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2014

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

1.24 Intangible Assets

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

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

Computer software	- 4 years
Website costs	- 5 years

1.25 Recoverable Amount of Assets

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

1.26 Other Current Assets

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

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

(i) Effective for the first time in 2013-14

UrbanGrowth NSW has consistently applied the accounting policies in these financial statements except for the new Australian Accounting Standard AASB 13 Fair Value Measurement and the revised Australian Accounting Standard AASB 119 Employee Benefits. AASB 13 is applied prospectively and there was no impact while AASB 119 is applied retrospectively and the impact of the change is disclosed in Note 28.

(ii) Effective Accounting Standards/Interpretations issued but not yet effective

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

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

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 1055 Budgetary Reporting (Exempt due to commercial confidentiality,)	1 July 2014	30 June 2015
AASB 9 Amendments to Australian Accounting Standards arising from AASB 9	1 January 2015	30 June 2016
AASB 1031 Materiality	1 January 2014	30 June 2015
Amendments to AASB 132- Offsetting Financial Assets and Financial Liabilities,	1 January 2014	30 June 2015
Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014	30 June 2015

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2014

	2014 \$'000	2013 \$'000
2(a) Sales Revenue		
Income from land sales	481,339	388,237
Income from managed land sales	155,136	150,735
	636,475	538,972
2(b) Other Revenue		
Management fee – Crown Lands Homesites Program	927	933
Management fee – Health Infrastructure- NSW Health	-	1,962
Management fee – Others	983	796
Rental income	1,495	1,069
Holding cost recoveries	3,450	1,781
Option fees	-	410
Other	459	372
	7,314	7,323
2(c) Finance Income		
Interest from bank	1,895	716
Unwinding of the discount rate	1,619	1,051
Interest from late settlement	196	194
Unrealised (loss)/gain on derivative asset	-	(2)
	3,710	1,959
3 Marketing Expenses		
Advertising	5,677	7,432
Sales contractors and commission	1,272	1,512
Other	502	895
	7,451	9,839
4 Employee Related Expenses		
Salaries and wages	20,510	17,281
Termination payments	975	-
Superannuation – defined benefit plans*	1,076	1,216
Superannuation – defined contribution plans	1,723	1,361
Long service leave	767	363
Annual leave	1,732	1,305
Workers' compensation insurance	81	73
Payroll tax and fringe benefits tax	1,605	1,251
Other employee related expenses	944	871
	29,413	23,721
Transfer of capital costs to inventories	(8,522)	(7,319)
	20,891	16,402

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2014

4 Employee Related Expenses (continued)

* Refer Note 19. Superannuation actuarial gain / (loss) of (\$3,662,000 loss) (2013: (\$6,755,000 gain)) are recognised as other comprehensive income.

	2014	2013
	\$'000	\$'000

5 Other Operating Expenses

Auditor's remuneration – audit of financial statements	190	215
Operating lease rental expense – minimum lease payments	1,967	2,354
Maintenance	454	505
Insurance	107	117
General administrative costs	9,588	9,819
Council rates	1,574	1,641
Land tax	8,588	10,044
Adjustment of inventory to net realisable value	8,993	4,825
Expenses incurred on project management.	294	1,746
Property and accommodation expenses	1,414	1,926
Loss on asset revaluation	-	407
Consultancy fees	948	463
	34,117	34,062
Transfer of capital costs to inventories	(2,257)	(2,918)
	31,860	31,144

6 Depreciation and Amortisation Expense

Buildings	123	176
Leasehold improvements	420	274
Plant and equipment	463	333
Intangible assets	78	164
Motor vehicles	27	30
	1,111	977

7 Finance Costs

Interest	5,370	6,720
Unwinding of the discount rate	-	380
Amortisation of loan (discount)/premium	(684)	(221)
Government guarantee fee	2,044	3,479
	6,730	10,358

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2014

2014
\$'000

2013
\$'000

8 Income Tax

Income tax expense recognised in the Statement of comprehensive income

The major components of income tax expense for the years ended 30 June 2014 and 2013 are:

Current income tax charge	50,088	31,922
Adjustments for prior years	-	(276)
Deferred income tax		
Origination and reversal of temporary differences	(57)	3,941
Income tax expense reported in the Statement of comprehensive income	50,031	35,587
Deferred income tax (revenue)/expense included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets	(131)	4,217
(Decrease)/increase in deferred tax liabilities	74	(276)
	(57)	3,941
Income tax expense recognised directly in equity		
Deferred income tax related to items charged or credited directly to equity:		
Asset revaluation reserve	-	135
Superannuation actuarial gain/(loss)	(1,098)	2,026
Income tax expense reported in equity	(1,098)	2,161

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

Accounting profit before income tax	166,761	118,615
At the statutory income tax rate of 30% (2013: 30%)	50,028	35,584
Deductions not allowable for income tax purposes	3	3
Income tax expense reported in the Statement of comprehensive income	50,031	35,587

9 Cash and Cash Equivalents

Cash at bank and on hand	92,508	50,874
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Included in the cash and cash equivalents is restricted cash of \$10.454 million (2013 \$12.516 million). These funds are held as security deposits for various projects.

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2014

	2014 \$'000	2013 \$'000
10 Trade and Other Receivables		
Current		
Trade receivables	12,035	10,338
Allowance for impairment loss	(628)	(628)
Development bonds	743	979
Other receivables	273	378
	12,423	11,067
Non-current		
Trade receivables	8,488	9,656
Development bonds	20	213
Loan receivables	926	1,053
	9,434	10,922
Movement in the allowance for impairment loss		
Balance at the beginning of the year	628	628
Amounts written off during the year	-	(3)
Increase/(decrease) in allowance recognized in profit or loss	-	3
Balance at the end of the year	628	628

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

The non-current trade receivable of \$8.488 million (2013: \$9.656 million) represent deferral of payment for sale of land for the project at Wollie Creek.

Non-current loan receivables represent second mortgages with purchasers of properties sold at Stanhope Gardens amounting to \$0.926 million (2013: \$1,053 million) as part of UrbanGrowth NSW's moderate income housing programme. The second mortgages must be repaid within 15 years or on sale of the properties, whichever comes first.

11 Inventories

Current		
Work in progress	213,405	212,609
Developed land	95,014	101,655
	308,419	314,264
Non-current		
Work in progress	65,998	71,668
Undeveloped land	335,147	365,134
	401,145	436,802
Total	709,564	751,066

The cost of inventories recognised as an expense includes \$8.993 million (2013:\$ 4.825 million) in respect of write-downs of inventory to net realisable value. Previous write-downs are reversed as a result of increased sales prices for developed land.

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2014

	2014	2013
	\$'000	\$'000
11 Inventories (continued)		
Details of inventories:		
Developed land	95,014	101,655
Write-down to net realisable value	-	-
Total developed land	95,014	101,655
Details of inventories:		
Undeveloped land	623,543	654,236
Write-down to net realisable value	(8,993)	(4,825)
Total undeveloped land	614,550	649,411
Details of inventories:		
Acquisition costs	409,933	447,076
Development costs	255,643	259,290
Other costs	43,988	44,700
	709,564	751,066
12 Other		
Current		
Prepayments	4,922	5,807
	4,922	5,807
Non-current		
Prepayments	29	-
	29	0

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2014

	2014 \$'000	2013 \$'000
13 Property, Plant and Equipment		
Land		
At fair value	1,157	1,886
Buildings		
At gross carrying amount	1,658	1,882
Accumulated depreciation	(141)	(35)
Net carrying amount at fair value	1,517	1,847
Leasehold improvements		
At gross carrying amount	3,521	3,317
Accumulated depreciation	(1,440)	(1,020)
Net carrying amount at fair value	2,081	2,297
Motor vehicles		
At gross carrying amount	210	225
Accumulated depreciation	(61)	(85)
Net carrying amount at fair value	149	140
Plant and equipment		
At gross carrying amount	4,111	3,941
Accumulated depreciation	(1,550)	(1,105)
Net carrying amount at fair value	2,561	2,836
Total net carrying amount	7,465	9,006

Fair value of Land and Building

As stated in Note 1.22, land and building are carried at fair value as shown below:

2014	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Land and Building				
Land	-	1,157	-	1,157
Building	-	1,517	-	1,517
Land and Building fair value	-	2,674	-	2,674

There were no transfers between levels 1 and 2 during the period.

UrbanGrowth revalued its Land and building by external qualified valuer in 2013.

In 2014, UrbanGrowth management re-assessed the fair value on the basis of fair value hierarchy level 2 using observable market prices of similar properties within close proximity and the difference was insignificant. The valuation process was based on market approach where land and building is valued on comparable property sales transactions and adjustments made to reflect the location, topography, construction, age, condition and size, any required conversion or refurbishment work, legal/physical restriction and enhancements.

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2014

13 Property, Plant and Equipment (*continued*)

Reconciliation

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

2014	Land at fair value	Buildings at fair value	Leasehold improvements at fair value	Motor vehicles at fair value	Plant & equipment at fair value	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Net carrying amount at beginning of the year	1,886	1,847	2,297	140	2,836	9,006
Additions	270	185	204	77	218	954
Disposals	(999)	(392)	-	(41)	(30)	(1,462)
Increment/(decrement on Revaluation	-	-	-	-	-	-
Reclassified	-	-	-	-	-	-
Depreciation expense	-	(123)	(420)	(27)	(463)	(1,033)
Net carrying amount at the end of the year	1,157	1,517	2,081	149	2,561	7,465

2013	Land at fair value	Buildings at fair value	Leasehold improvements at fair value	Motor vehicles at fair value	Plant & equipment at fair value	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Net carrying amount at beginning of the year	1,665	2,561	107	167	560	5,060
Additions	547	1,256	2,465	38	2,332	6,638
Disposals	(900)	(869)	(1)	(35)	(117)	(1,922)
Increment/(decrement on Revaluation	450	(407)	-	-	-	43
Reclassified	124	(518)	-	-	394	-
Depreciation expense	-	(176)	(274)	(30)	(333)	(813)
Net carrying amount at the end of the year	1,886	1,847	2,297	140	2,836	9,006

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2014

2014
\$'000

2013
\$'000

14 Intangible Assets

Computer software and website

Gross carrying amount

Carrying amount at beginning of the year	3,850	4,347
Additions	45	185
Disposals	-	(682)
Carrying amount at end of the year	3,895	3,850

Accumulated amortisation and impairment

Carrying amount at beginning of the year	(3,656)	(3,688)
Amortisation expense and impairment	(78)	(164)
Disposals	-	196
Carrying amount at end of the year	(3,734)	(3,656)

Net carrying amount at end of the year	161	194
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15 Deferred Tax Assets

The balance comprises temporary differences attributable to:

Depreciation and amortisation	538	489
Provisions	10,163	8,841
Sundry	244	193
Fair value adjustments	584	776
	11,529	10,299

Movements

Carrying amount at beginning of the year	10,299	41,259
Overprovision in prior year	-	(24,716)
Credited/(charge) to the Statement of comprehensive income	131	(4,217)
Credited/(charge) to equity	1,099	(2,027)
Carrying amount at end of the year	11,529	10,299

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2014

	2014	2013
	\$'000	\$'000
16 Trade and Other Payables		
Current		
Trade payables	21,890	25,065
Unearned income	12,886	57,524
Bonds and deposits held	23,170	19,735
Accrued expenses	24,869	29,362
Other payables	297	15
Retentions	1,723	225
	84,835	131,926
Non-current		
Bonds and deposits held	4,650	-
Accrued expenses	990	1,228
	5,640	1,228

17 Current Tax Liabilities

Carrying amount at beginning of the year	13,393	35,526
Income tax expense	50,031	35,587
Movement in deferred tax assets/(liabilities)	58	(3,941)
Overprovision in prior year	-	(24,716)
Tax payment	(41,446)	(29,063)
Carrying amount at end of the year	22,036	13,393

18 Provisions

(a) Employee benefits – current		
Provision for annual leave	1,519	1,218
Provision for long service leave		
- Expected to be settled within 12 months	479	551
- Expected to be settled after 12 months	4,313	4,960
Provision for superannuation liability (see Note 19)	18,659	14,381
Accrued on-costs	912	913
Other	123	-
	26,005	22,023
(b) Employee benefits – non-current		
Provision for long service leave	532	290
Accrued on-costs	66	35
	598	325
Total employee benefits	26,603	22,348

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2014

	2014 \$'000	2013 \$'000
18 Provisions (continued)		
(c) Other provisions – current		
Provision to complete projects	66,413	78,546
Provision for rebates	2,913	2,288
Provision for other	-	157
Provision for distribution to NSW Treasury	67,354	58,329
	136,680	139,320

The dividend payable on the 2013–14 profit after tax is \$67.354 million. The dividend represents the fixed amount agreed with the shareholder ministers.

The 2013 dividend payable \$58.329 million is calculated based on 70% of profit after tax, excluding certain non-cash items of financial instrument fair value movements of \$0.671 million income.

(d) Other provisions – non-current		
Provision to complete projects	53,037	37,820
Provision for rebates	3,173	3,371
Provision for other	524	524
	56,734	41,715
Total current and non-current provisions		
Current employee benefits	26,005	22,023
Current other provisions	136,680	139,320
Total current provisions	162,685	161,343
Non-current employee benefits	598	325
Non-current other provisions	56,734	41,715
Total non-current provisions	57,332	42,040
	220,017	203,383

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

Employee benefits

2014	Provision for annual leave	Provision for long service leave	Superannuation liability	Accrued on-costs	Other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at beginning of the year	1,218	5,801	14,381	948	-	22,348
Additional provisions recognised	1,732	767	6,461	30	123	9,113
Amounts used during the year	(1,431)	(1,244)	(2,183)	-	-	(4,858)
Carrying amount at end of the year	1,519	5,324	18,659	978	123	26,603

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2014

18 Provisions (continued)

2013	Provision for annual leave	Provision for long service leave	Superannuation liability	Accrued on-costs	Other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at beginning of the year	1,208	5,484	20,365	894	-	27,951
Additional provisions recognised	1,305	363	(4,178)	54	-	(2,456)
Amounts used during the year	(1,295)	(46)	(1,806)	-	-	(3,147)
Carrying amount at end of the year	1,218	5,801	14,381	948	-	22,348

Other provisions

2014	Provision for distribution to NSW Treasury	Provision for rectification works	Provision for rebates	Provision to complete projects	Provision for other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at beginning of the year	58,329	-	5,659	116,366	681	181,035
Additional provisions recognised	67,354	-	2,727	96,990	-	167,071
Reductions in provisions from payments	(58,329)	-	(2,300)	(92,928)	-	(153,557)
Change in provisions from re-measurement	-	-	-	(978)	(157)	(1,135)
Carrying amount at end of the year	67,354	-	6,086	119,450	524	193,414

2013	Provision for distribution to NSW Treasury	Provision for rectification works	Provision for rebates	Provision to complete projects	Provision for other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at beginning of the year	33,836	-	5,630	111,645	157	151,268
Additional provisions recognised	58,329	-	2,837	81,923	524	143,613
Reductions in provisions from payments	(33,836)	-	(2,808)	(74,542)	-	(111,186)
Change in provisions from re-measurement	-	-	-	(2,660)	-	(2,660)
Carrying amount at end of the year	58,329	-	5,659	116,366	681	181,035

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2014

19 Superannuation

Fund information

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

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

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

All the Schemes are closed to new members

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

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

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

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

An actuarial investigation of the Pooled Fund is performed every three years. The last actuarial investigation was performed as at 30 June 2012.

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

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

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

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

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

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

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2014

19 Superannuation (continued)

Superannuation position as at 30 June 2014

	SASS 30-Jun-14	SANCS 30-Jun-14	SSS 30-Jun-14	TOTAL 30-Jun-14
Member numbers				
Contributors	12	19	7	38
Deferred benefits	-	-	-	-
Pensioners	-	-	12	12
Pensions fully commuted	-	-	2	2
Superannuation position for AASB 119 purposes	\$'000	\$'000	\$'000	\$'000
Accrued liability (Note 1)	7,497	1,806	30,027	39,330
Estimated reserve account balance	(3,585)	(944)	(16,142)	(20,671)
1. Deficit/(surplus)	3,912	862	13,885	18,659
2. Future Service Liability (Note 2)	1,222	759	626	2,607
3. Surplus in excess of recovery available from schemes (- 1. - 2. and subject to a minimum of zero)	-	-	-	-
4. Net (asset)/liability to be recognised in statement of financial position (1. + 3.)	3,912	862	13,885	18,659

Note 1:

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

Note 2:

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

	SASS Financial Year to 30 June 2014 \$'000	SANCS Financial Year to 30 June 2014 \$'000	SSS Financial Year to 30 June 2014 \$'000	Total Financial Year to 30 June 2014 \$'000
Reconciliation of the Net Defined Benefit Liability/(Asset)				
Net Defined Benefit Liability/(Asset) at start of year	2,750	447	11,183	14,380
Current service cost	229	67	242	538
Net Interest on the net defined benefit liability/(asset)	102	15	421	538
Past service cost	-	-	-	-
(Gains)/losses arising from settlements	-	-	-	-
Actual return on Fund assets less Interest income	(357)	(93)	(1,763)	(2,213)
Actuarial (gains)/losses arising from changes in demographic assumptions	-	-	-	-
Actuarial (gains)/losses arising from changes in financial assumptions	402	140	1,228	1,770
Actuarial (gains)/losses arising from liability experience	956	349	2,800	4,105
Adjustment for effect of asset ceiling	-	-	-	-
Employer contributions	(170)	(63)	(226)	(459)
Net Defined Benefit Liability/(Asset) at end of year	3,912	862	13,885	18,659

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2014

19 Superannuation (continued)

	SASS Financial Year to 30 June 2014 \$'000	SANCS Financial Year to 30 June 2014 \$'000	SSS Financial Year to 30 June 2014 \$'000	Total Financial Year to 30 June 2014 \$'000
Reconciliation of the Fair Value of Fund Assets				
Fair value of Fund assets at beginning of the year	3,888	1,026	14,122	19,036
Interest income	145	39	530	714
Actual return on Fund assets less Interest income	357	93	1,763	2,213
Employer contributions	170	63	226	459
Contributions by participants	94	-	108	202
Benefits paid	(1,026)	(287)	(603)	(1,916)
Taxes, premiums & expenses paid	(43)	10	(4)	(37)
Transfers in	-	-	-	-
Contributions to accumulation section	-	-	-	-
Settlements	-	-	-	-
Exchange rate changes	-	-	-	-
Fair value of Fund assets at end of the year	3,585	944	16,142	20,671

Reconciliation of the Defined Benefit Obligation				
Present value of defined benefit obligations at beginning of the year	6,639	1,473	25,305	33,417
Current service cost	229	67	242	538
Interest cost	246	54	951	1,251
Contributions by participants	94	-	108	202
Actuarial (gains)/losses arising from changes in demographic assumptions	-	-	-	-
Actuarial (gains)/losses arising from changes in financial assumptions	402	140	1,228	1,770
Actuarial (gains)/losses arising from liability experience	956	349	2,800	4,105
Benefits paid	(1,026)	(287)	(603)	(1,916)
Taxes, premiums & expenses paid	(43)	10	(4)	(37)
Transfers in	-	-	-	-
Contributions to accumulation section	-	-	-	-
Past service cost	-	-	-	-
Settlements	-	-	-	-
Exchange rate changes	-	-	-	-
Present value of defined benefit obligations at end of the year	7,497	1,806	30,027	39,330

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2014

19 Superannuation (continued)

	SASS	SANCS	SSS	Total
	Financial Year to 30 June 2014	Financial Year to 30 June 2014	Financial Year to 30 June 2014	Financial Year to 30 June 2014
	\$'000	\$'000	\$'000	\$'000
Reconciliation of the effect of the Asset Ceiling				
Adjustment for effect of asset ceiling at beginning of the year	-	-	-	-
Change in the effect of asset ceiling	-	-	-	-
Adjustment for effect of asset ceiling at end of the year	-	-	-	-

Fair value of Fund assets

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

As at 30 June 14

Asset category	Total (\$'000)	Quoted prices in active markets for identical assets Level 1 (\$'000)	Significant observable inputs Level 2 (\$'000)	Unobservable inputs Level 3 (\$'000)
Short Term Securities	2,453	1,573	880	-
Australian Fixed Interest	2,365	11	2,354	-
International Fixed Interest	881	-	881	-
Australian Equities	11,739	11,495	241	3
International Equities	10,954	8,173	2,781	-
Property	3,273	894	692	1,687
Alternatives	6,329	565	4,897	867
Total*	37,994	22,711	12,726	2,557

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

	30-Jun-14
Short Term Securities	6.5%
Australian Fixed Interest	6.2%
International Fixed Interest	2.3%
Australian Equities	30.9%
International Equities	28.8%
Property	8.6%
Alternatives	16.7%
Total	100.0%

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2014

19 Superannuation (continued)

*Additional to the assets disclosed above, at 30 June 2014 Pooled Fund has provisions for receivables/(payables) estimated to be around \$2.2 billion, giving an estimated assets totalling around \$40.2 billion.

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

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

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

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

Fair value of entity's own financial instruments

The fair value of the Pooled Fund assets include as at 30 June 2014 of \$173.9 million in NSW government bonds.

Significant Actuarial Assumptions at the Reporting Date	30-June-14
Salary increase rate (excluding promotional increases)	
2014/2015	2.27% pa
2015/2016 to 2017/2018	2.50% pa
2018/2019 to 2012/2023	3.0% pa
2023 onwards	3.5% pa
Rate of CPI Increase	2.5% pa
Discount rate	3.57% pa
Pensioner mortality	as per the 2012 Actuarial Investigation of the Pooled Fund

Sensitivity Analysis

The entity's total defined benefit obligation as at 30 June 2014 under several scenarios is presented below. The total defined benefit obligation disclosed is inclusive of the contribution tax provision which is calculated based on the asset level at 30 June 2014.

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

	Base Case	Scenario A -1% discount rate	Scenario B +1% discount rate
Discount rate	3.57%	2.57%	4.57%
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Defined benefit obligation \$000	39,330	45,630	34,257

	Base Case	Scenario C +0.5% CPI increase	Scenario D -0.5% CPI decrease
Discount rate	as above	as above	as above
Rate of CPI increase	2.5%	3.0%	2.0%
Salary inflation rate	as above	as above	as above
Defined benefit obligation \$000	39,330	41,819	37,081

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2014

19 Superannuation (continued)

	Base Case	Scenario E +0.5% Salary increase	Scenario F -0.5% Salary decrease
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Defined benefit obligation \$000	39,330	39,831	38,852

	Base Case	Scenario G +0.5% Pensioner mortality	Scenario H -0.5% Pensioner mortality
Defined benefit obligation \$000	39,330	39,022	39,655

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

Asset-Liability matching strategies

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

Funding arrangements

Funding arrangements are reviewed at least every three years following the release of the triennial actuarial review and was last reviewed following completion of the triennial review as at 30 June 2012. Contribution rates are set after discussions between the employer, STC and NSW Treasury.

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

a) Surplus/deficit

The following is a summary of the 30 June 2014 financial position of the Fund calculated in accordance with AAS 25 "Financial Reporting by Superannuation Plans":

	SASS 30-Jun-14 \$'000	SANCS 30-Jun-14 \$'000	SSS 30-Jun-14 \$'000	TOTAL 30-Jun-14 \$'000
Accrued benefits	5,861	1,308	15,534	22,703
Net market value of Fund assets	(3,585)	(943)	(16,142)	(20,670)
Net (surplus)/deficit	2,276	365	(608)	2,033

b) Contribution recommendations

Recommended contribution rates for the entity are:

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

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2014

19 Superannuation (continued)

c) Economic assumptions

The economic assumptions adopted for the 2012 actuarial review of the Fund are:

Weighted-average assumptions

Expected rate of return on Fund assets backing current pension liabilities	8.3% pa
Expected rate of return on Fund assets backing other liabilities	7.3% pa
Expected salary increase rate (SASS, SANCS, SSS)	2.7% pa to 30 June 2018, then 4.0% pa thereafter
Expected rate of CPI increase	2.5% pa

d) Expected Contribution

	SASS Financial Year to 30 June 2015	SANCS Financial Year to 30 June 2015	SSS Financial Year to 30 June 2015	Total Financial Year to 30 June 2015
Expected employer contributions to be paid in the next reporting period	178	65	173	416

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation is 14.5 years

Profit and Loss Impact

	SASS Financial Year to 30 June 2014	SANCS Financial Year to 30 June 2014	SSS Financial Year to 30 June 2014	Total Financial Year to 30 June 2014
Current service cost	229	67	242	538
Net interest	101	16	421	538
Past service cost	-	-	-	-
(Gains)/Loss on settlement	-	-	-	-
Defined benefit cost	330	83	663	1,076

Other Comprehensive Income

	SASS Financial Year to 30 June 2014	SANCS Financial Year to 30 June 2014	SSS Financial Year to 30 June 2014	Total Financial Year to 30 June 2014
Actuarial (gains) losses on liabilities	1,358	489	4,028	5,875
Actual return on Fund assets less Interest income	(357)	(93)	(1,763)	(2,213)
Adjustment for effect of asset ceiling	-	-	-	-
Total re measurement in Other Comprehensive Income	1,001	396	2,265	3,662

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2014

19 Superannuation (continued)

Superannuation position as at 30 June 2013

	SASS 30-Jun-13	SANCS 30-Jun-13	SSS 30-Jun-13	TOTAL 30-Jun-13
Member numbers				
Contributors	13	20	7	40
Deferred benefits	-	-	1	1
Pensioners	-	-	10	10
Pensions fully commuted	-	-	2	2
Superannuation position for AASB 119 purposes	\$'000	\$'000	\$'000	\$'000
Accrued liability (Note 1)	6,639	1,473	25,305	33,417
Estimated reserve account balance	(3,888)	(1,026)	(14,122)	(19,036)
1. Deficit/(surplus)	2,751	447	11,183	14,381
2. Future Service Liability (Note 2)	1,220	688	837	2,745
3. Surplus in excess of recovery available from schemes (- 1. - 2. and subject to a minimum of zero)	-	-	-	-
4. Net (asset)/liability to be recognised in statement of financial position (1. + 3.)	2,751	447	11,183	14,381

Note 1:

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

Note 2:

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

	SASS Financial Year to 30 June 2013 \$'000	SANCS Financial Year to 30 June 2013 \$'000	SSS Financial Year to 30 June 2013 \$'000	Total Financial Year to 30 June 2013 \$'000
Reconciliation of the Net Defined Benefit Liability/(Asset)				
Net Defined Benefit Liability/(Asset) at start of year	3,279	896	16,189	20,364
Current service cost	244	77	279	600
Net Interest on the net defined benefit liability/(asset)	97	26	492	615
Past service cost	-	-	-	-
(Gains)/losses arising from settlements	-	-	-	-
Actual return on Fund assets less Interest income	(500)	(100)	(1,577)	(2,177)
Actuarial (gains)/losses arising from changes in demographic assumptions	14	(5)	990	999
Actuarial (gains)/losses arising from changes in financial assumptions	(489)	(162)	(3,644)	(4,295)
Actuarial (gains)/losses arising from liability experience	292	(218)	(1,356)	(1,282)
Adjustment for effect of asset ceiling	-	-	-	-
Employer contributions	(186)	(67)	(190)	(443)
Net Defined Benefit Liability/(Asset) at end of year	2,751	447	11,183	14,381

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2014

19 Superannuation (continued)

	SASS	SANCS	SSS	Total
	Financial Year to 30 June 2013	Financial Year to 30 June 2013	Financial Year to 30 June 2013	Financial Year to 30 June 2013
	\$'000	\$'000	\$'000	\$'000
Reconciliation of the Fair Value of Fund Assets				
Fair value of Fund assets at beginning of the year	3,163	747	11,483	15,393
Interest income	96	22	347	465
Actual return on Fund assets less Interest income	500	100	1,576	2,176
Employer contributions	187	67	191	445
Contributions by participants	93	-	120	213
Benefits paid	(103)	56	354	307
Taxes, premiums & expenses paid	(48)	34	51	37
Transfers in	-	-	-	-
Contributions to accumulation section	-	-	-	-
Settlements	-	-	-	-
Exchange rate changes	-	-	-	-
Fair value of Fund assets at end of the year	3,888	1,026	14,122	19,036

Reconciliation of the Defined Benefit Obligation				
Present value of defined benefit obligations at beginning of the year	6,442	1,643	27,671	35,756
Current service cost	244	77	279	600
Interest cost	194	48	840	1,082
Contributions by participants	93	-	120	213
Actuarial (gains)/losses arising from changes in demographic assumptions	14	(5)	990	999
Actuarial (gains)/losses arising from changes in financial assumptions	(489)	(162)	(3,644)	(4,295)
Actuarial (gains)/losses arising from liability experience	292	(218)	(1,356)	(1,282)
Benefits paid	(103)	56	354	307
Taxes, premiums & expenses paid	(48)	34	51	37
Transfers in	-	-	-	-
Contributions to accumulation section	-	-	-	-
Past service cost	-	-	-	-
Settlements	-	-	-	-
Exchange rate changes	-	-	-	-
Present value of defined benefit obligations at end of the year	6,639	1,473	25,305	33,417

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2014

19 Superannuation (continued)

	SASS	SANCS	SSS	Total
	Financial Year to 30 June 2013	Financial Year to 30 June 2013	Financial Year to 30 June 2013	Financial Year to 30 June 2013
	\$'000	\$'000	\$'000	\$'000
Reconciliation of the effect of the Asset Ceiling				
Adjustment for effect of asset ceiling at beginning of the year	-	-	-	-
Change in the effect of asset ceiling	-	-	-	-
Adjustment for effect of asset ceiling at end of the year	-	-	-	-

Fair value of Fund assets

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

As at 30 June 13

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

	30-Jun-13
Australian equities	30.4%
Overseas equities	26.1%
Australian fixed interest securities	6.9%
Overseas fixed interest securities	2.2%
Property	8.3%
Cash	13.1%
Other	13.0%
Total	100.0%

The following information for fair value was not available for June 2013.

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

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

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

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

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2014

19 Superannuation (continued)

Significant Actuarial Assumptions at the Reporting Date	30-June-13
Salary increase rate (excluding promotional increases)	
2013/2014 (SASS, SSS and SANCS)	2.25% pa
2014/2015	2.25% pa
2015/2016 to 2019/2020	2.0% pa
2020 onwards	2.5% pa
Rate of CPI Increase	2.5% pa
Discount rate	3.8% pa
Pensioner mortality	as per the 2012 Actuarial Investigation of the Pooled Fund

Asset-Liability matching strategies

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

Funding arrangements

Funding arrangements are reviewed at least every three years following the release of the triennial actuarial review and was last reviewed following completion of the triennial review as at 30 June 2012. Contribution rates are set after discussions between the employer, STC and NSW Treasury.

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

a) Surplus/deficit

The following is a summary of the 30 June 2013 financial position of the Fund calculated in accordance with AAS 25 "Financial Reporting by Superannuation Plans":

	SASS	SANCS	SSS	TOTAL
	30-Jun-13	30-Jun-13	30-Jun-13	30-Jun-13
	\$'000	\$'000	\$'000	\$'000
Accrued benefits	5,448	1,154	13,427	20,029
Net market value of Fund assets	(3,888)	(1,026)	(14,122)	(19,036)
Net (surplus)/deficit	1,560	128	(695)	993

b) Contribution recommendations

Recommended contribution rates for the entity are:

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

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2014

19 Superannuation (continued)

c) Economic assumptions

The economic assumptions adopted for the 2012 actuarial review of the Fund are:

Weighted-average assumptions

Expected rate of return on Fund assets backing current pension liabilities	8.3% pa
Expected rate of return on Fund assets backing other liabilities	7.3% pa
Expected salary increase rate (SASS, SANCS, SSS)	SASS, SANCS, SSS 2.7% pa for 6 years then 4.0% pa
Expected rate of CPI increase	2.5% pa

d) Expected Contribution

	SASS Financial Year to 30 June 2014 \$'000	SANCS Financial Year to 30 June 2014 \$'000	SSS Financial Year to 30 June 2014 \$'000	Total Financial Year to 30 June 2014 \$'000
Expected employer contributions to be paid in the next reporting period	178	65	192	435

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation is 14.6 years

Profit and Loss Impact

	SASS Financial Year to 30 June 2013 \$'000	SANCS Financial Year to 30 June 2013 \$'000	SSS Financial Year to 30 June 2013 \$'000	Total Financial Year to 30 June 2013 \$'000
Current service cost	244	77	279	600
Net interest	97	26	492	615
Past service cost	-	-	-	-
(Gains)/Loss on settlement	-	-	-	-
Defined benefit cost	341	103	771	1,215

Other Comprehensive Income

	SASS Financial Year to 30 June 2013 \$'000	SANCS Financial Year to 30 June 2013 \$'000	SSS Financial Year to 30 June 2013 \$'000	Total Financial Year to 30 June 2013 \$'000
Actuarial (gains) losses on liabilities	(183)	(385)	(4,010)	(4,578)
Actual return on Fund assets less Interest income	(500)	(100)	(1,577)	(2,177)
Adjustment for effect of asset ceiling	-	-	-	-
Total re measurement in Other Comprehensive Income	(683)	(485)	(5,587)	(6,755)

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2014

19 Superannuation (continued)

Transition to Revised AASB119 Standard

At the transition date for the revised AASB119 standard, an amount is recognised in retained earnings reflecting any change in the net defined benefit liability/asset as a result of the change in the assumed rate of contribution tax. The transition date is the start of the earliest period for which comparative information is presented, which is 1 July 2012

	SASS 1-Jul-12 \$'000	SANCS 1-Jul-12 \$'000	SSS 1-Jul-12 \$'000	TOTAL 1-Jul-12 \$'000
Net Defined Benefit Liability/(Asset)	2,820	774	13,861	17,455
Adjustment to retained earnings following adoption of revised AASB119	459	122	2,327	2,908
Net Defined Benefit Liability/(Asset) after adjustment	3,279	896	16,188	20,363
Amount recognised in retained earnings under revised AASB119	(459)	(122)	(2,327)	(2,908)

20 Borrowings

	2014 \$'000	2013 \$'000
Current		
Unsecured loans at face value (i)	59,440	30,000
Unamortised discounts	1,241	1,926
Total current borrowings	60,681	31,926
Non-current		
Unsecured loans at face value (i)	27,173	86,613
Unamortised discounts	-	-
Total non-current borrowings	27,173	86,613
Repayment of borrowings		
Not later than 1 year	60,681	31,926
Between 1 and 5 years	27,173	86,613
Total borrowings	87,854	118,539

Summary of borrowing arrangements:

- (i) Fixed rate loans with NSW Treasury Corporation (TCorp) with maturity periods not exceeding three years (2013: three years). The weighted average interest rate is 4.50% p.a. (2013: 4.15% p.a.).
- (ii) UrbanGrowth NSW has undrawn facilities sufficient to meet obligations as and when they fall due.

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2014

21 Deferred Tax Liabilities

The balance comprises temporary differences attributable to:

	2014 \$'000	2013 \$'000
Fair value adjustments	806	512
Prepayments	1,299	1,424
Sundry	41	135
	2,146	2,071
Movements		
Carrying amount at beginning of the year	2,071	2,213
Charge to the Statement of comprehensive income	75	(277)
Debited/(change) to equity	-	135
Carrying amount at end of the year	2,146	2,071

22 Contributed capital

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

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

	2014 \$'000	2013 \$'000
(a) For the purpose of the Statement of cash flows, cash and cash equivalents include cash at bank and cash on hand. Cash at the end of the financial year as shown in the Statement of cash flows is reconciled to the related items in the Statement of financial position as follows:		
Cash and cash equivalents (see note 9)	92,508	50,874
(b) Reconciliation from the Net cash flows from operating activities to the Net Profit for the year :		
Net cash flows (used in)/ from operating activities	129,221	43,578
Depreciation and amortisation	(1,111)	(977)
Gain/(loss) from sale of property, plant and equipment	279	(661)
Amortisation of loan premium	684	221
Unwinding of discount rate income and expense	1,619	671
Unrealised (loss)/gain on asset revaluation	-	(407)
Change in assets and liabilities		
(Increase) in provisions	(3,947)	(6,097)
Decrease/(increase) in payables and tax liabilities	33,962	36,699
Increase/(decrease) in receivables	(1,751)	(9,429)
Increase/(decrease) in inventory and other assets	(42,226)	19,430
Net Profit for the year	116,730	83,028

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

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2014

24 Financial Instruments

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

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

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

Financial instrument categories

Financial assets	Notes	Category	Carrying amount 2014 \$'000	Carrying amount 2013 \$'000
Class				
Cash and cash equivalents	9	N/A	92,508	50,874
Trade and other receivables	10	Loans and receivables (at amortised cost)	21,857	20,796
Financial liabilities				
Class				
Trade and other payables	16	Financial liabilities measured at amortised cost	75,973	75,630
Borrowings	20	Financial liabilities measured at amortised cost	87,854	118,539

Note:

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

(a) Credit risk

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

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

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

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2014

24 Financial Instruments (continued)

All trade debtors are recognised as amounts receivable at reporting date and are reviewed regularly for collectability on an ongoing basis. An allowance for impairment loss of \$628,123 (2013: \$628,123) has been raised against trade debtors. No interest is earned on trade debtors.

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

	\$'000	\$'000	\$'000
	Total	Past due but not impaired	Considered Impaired
2014			
< 3 Months overdue	2,722	2,722	-
3 months – 6 months overdue	7	7	-
> 6 months overdue	646	18	628
	\$'000	\$'000	\$'000
	Total	Past due but not impaired	Considered Impaired
2013			
< 3 Months overdue	4,623	4,623	-
3 months – 6 months overdue	-	-	-
> 6 months overdue	646	18	628

Note:

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

UrbanGrowth NSW has given TCorp letters of undertaking to various councils/government agencies that certain infrastructure works will be carried out including electrical infrastructure works, construction of community centre, etc. The maximum exposure to credit risk of these TCorp letters of undertaking is \$24.53 million (2013: \$22.79 million).

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2014

24 Financial Instruments (continued)

(b) Liquidity risk

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

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

Maturity analysis and interest rate exposure of financial liabilities

	Interest rate exposure					Maturity dates		
	Weighted average effective interest rate	Nominal amount \$'000	Fixed interest rate \$'000	Variable interest rate \$'000	Non interest bearing \$'000	< 1 Year \$'000	1 – 5 Years \$'000	> 5 Years \$'000
2014								
Payables	-	75,972	-	-	75,972	70,332	5,640	-
Borrowings	4.50%	91,532	91,532	-	-	62,729	28,803	-
	-	167,504	91,532	-	75,972	133,061	34,443	-
2013								
Payables	-	75,630	-	-	75,630	74,402	1,228	-
Borrowings	4.15%	126,271	126,271	-	-	34,739	91,532	-
	-	201,901	126,271	-	75,630	109,141	92,760	-

Note:

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

(c) Market risk

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

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

(d) Interest rate risk

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

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

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2014

24 Financial Instruments (continued)

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

	Carrying amount \$'000	Profit -1% \$'000	Equity-1% \$'000	Profit +1% \$'000	Equity +1% \$'000
2014					
Financial assets					
Cash and cash equivalents	92,508	(925)	(194)	925	194
2013					
Financial assets					
Cash and cash equivalents	50,874	(509)	-	509	-

(e) Net fair value

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

The Statement of Financial Position records the carrying value of borrowings with NSW Treasury Corporation as \$87.854 million (30 June 2013: \$118.539); the fair value of borrowings is \$89.289 million (30 June 2013: \$120.819). All other financial instruments are recognised at amortised cost. Because of the short term nature of the Corporation's financial assets and liabilities, the amortised cost recognised in the Statement of Financial Position approximates fair value

25 Expenditure Commitments

	2014 \$'000	2013 \$'000
(a) Operating lease commitments		
Future non-cancellable operating lease rentals not provided for and payable:		
Not later than one year	1,881	1,903
Later than one year but not later than five years	5,921	5,764
Later than five years	251	1,667
Total operating lease commitments (including GST)	8,053	9,334

The total lease expenditure commitments above include input tax credits of \$0.732 million that are expected to be recoverable from the ATO (30 June 2013: \$0.848 million).

26 Contingent Assets and Liabilities

At reporting date, there were no significant contingent assets or liabilities incurred in the normal course of business (2013: Nil).

27 Related Party Transactions

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

Emoluments paid to the Directors of UrbanGrowth NSW was \$263,366 (2013 \$299,239).

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

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

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2014

28 Changes in Accounting Policies, Correction of Errors and Changes in Estimates Impact

Impact of the new AASB119 with respect to the financial Year to 30 June 14

UrbanGrowth NSW has adopted the revised AASB 119 'Employee Benefits' with an application date of 1 July 2013.

(a) The main changes to accounting policy as a result of changes to AASB 119 'Employee Benefits' are:

- The interest income component has replaced the expected return on assets. Interest income is calculated using a different discount rate to expected return on assets, which has led to an increase to the expense reported in the Statement of Comprehensive Income;
- The standard does not allow investment credits to be netted off against the superannuation contributions tax. This has changed the calculation of the defined benefits liability/asset presented in the statement of financial position. As a result the Defined Benefit liability and the expense related to the Defined Benefit Cost have increased

	Previous AASB 119			Current AASB 119	
	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000	Total \$'000
Service cost	196	61	135	392	538
Net Interest (current AASB119 only)	n/a	n/a	n/a	n/a	538
Interest Expense (previous AASB119 only)	232	53	891	1,176	n/a
Expected return on assets (previous AASB119 only)	(329)	(88)	(1,201)	(1,618)	n/a
Superannuation expense/(income) in P&L	99	26	(175)	(50)	1,076
Actuarial (gains) losses on liabilities	1,236	435	3,788	5,459	5,875
Return on assets excluding amounts included in P&L [^]	(176)	(44)	(1,097)	(1,317)	(2,213)
Change in the effect of asset ceiling	-	-	-	-	-
Amount recognised in other comprehensive income (OCI)	1,060	391	2,691	4,142	3,662
Total recognised in P&L and OCI	1,159	417	2,516	4,092	4,738

[^] This item is the actual return on assets in excess of expected return on assets under the previous AASB119 standard, and in excess of interest income under the current AASB119 standard

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2014

28 Changes in Accounting Policies, Correction of Errors and Changes in Estimates

Impact (continued)

(b) Impact on total comprehensive income for the year ended 30 June 2013 as a result of AASB 119

Line Item	Previously Reported Figures in 2012-13 \$'000	Change in Accounting Policy AASB 119 \$000	Comparative Figures Reported in 2013-14 \$000
Statement of Comprehensive income			
Employee related expenses	(15,307)	(1,095)	(16,402)
Profit from continuing operations before income tax equivalent expense			
Income tax equivalent expense	(35,916)	329	(35,587)
Net profit/(loss) impact due to AASB 119	83,794	(766)	83,028
Other comprehensive income			
Superannuation actuarial gain/(losses) on defined benefit plans	4,767	1,988	6,755
Income tax on items that will not be reclassified to profit or loss	(1,430)	(597)	(2,027)
Total items that will not be reclassified to profit or loss	3,652	1,391	5,043
Total comprehensive income/(expense) impact due to AASB119	87,446	625	88,071

(c) Impact on total comprehensive income for the year ended 30 June 2014 as a result of AASB 119

Line Item	Change in Accounting Policy AASB 119 \$000
Statement of Comprehensive income	
Employee related expenses	(1,126)
Profit from continuing operations before income tax equivalent expense	
Income tax equivalent expense	338
Net profit/(loss) impact due to AASB 119	(788)
Other comprehensive income	
Superannuation actuarial gain/(losses) on defined benefit plans	480
Income tax on items that will not be reclassified to profit or loss	(144)
Total items that will not be reclassified to profit or loss	336
Total comprehensive income/(expense) impact due to AASB119	(452)

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2014

28 Changes in Accounting Policies, Correction of Errors and Changes in Estimates

Impact (continued)

(d) Impact on assets, liabilities and equity as at 1 July 2012 as a result of AASB 119

Line Item	Previously Reported Figures in 2011-12 \$'000	Change in Accounting Policy AASB 119 \$000	Comparative Figures Reported in 2011-12 \$000
Statement of Financial Position			
Non-Current Assets			
Deferred tax asset	40,387	872	41,259
Total Non-Current Assets	473,123	872	473,995
TOTAL ASSETS	801,768	872	802,640
Current liabilities			
Provisions	140,467	2,909	143,376
Total Current Liabilities	342,572	2,909	345,481
TOTAL LIABILITIES	450,778	2,909	453,687
NET ASSETS	350,990	2,037	348,953
Equity			
Retained earnings	74,670	2,037	72,633
TOTAL EQUITY	350,990	2,037	348,953

(e) Impact on assets, liabilities and equity as at 30 June 2013 as a result of AASB 119

Line Item	Previously Reported Figures in 2012-13 \$'000	Change in Accounting Policy AASB 119 \$000	Comparative Figures Reported in 2013-13 \$000
Statement of Financial Position			
Non-Current Assets			
Deferred tax asset	9,695	604	10,299
Total Non-Current Assets	466,619	604	467,223
TOTAL ASSETS	848,631	604	849,235
Current liabilities			
Provisions	159,327	2,016	161,343
Total Current Liabilities	336,572	2,016	338,588
TOTAL LIABILITIES	468,524	2,016	470,540
NET ASSETS	380,107	1,412	378,642
Equity			
Retained earnings	103,945	(1,412)	102,533
TOTAL EQUITY	350,990	(1,412)	378,642

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2014

28 Changes in Accounting Policies, Correction of Errors and Changes in Estimates

Impact (continued)

(f) Impact on assets, liabilities and equity as at 30 June 2014 as a result of AASB 119

Line Item	Change in Accounting Policy AASB 119 \$000
Statement of Financial Position	
Non-Current Assets	
Deferred tax asset	(798)
Total Non-Current Assets	(798)
TOTAL ASSETS	(798)
Current liabilities	
Provisions	(2,661)
Total Current Liabilities	(2,661)
Total Non-Current Liabilities	
TOTAL LIABILITIES	(2,661)
NET ASSETS	(1,863)
Equity	
Retained earnings	1,863
TOTAL EQUITY	1,863

29 Events After Reporting Period

There has been no material post Statement of financial position events which would require disclosure or adjustments to the 30 June 2014 Financial Statements.

30 Segment Information

In 2014 and 2013 UrbanGrowth NSW operated in one business segment, and one geographical segment. Consequently, a segment report for 2014 and 2013 has not been reported.

End of Financial Statements

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Corporate directory

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

Our office at Newcastle is open between the hours of 9:00 am and 5:00 pm.

Landcom Sales Offices are generally open from 10:00 am to 5:00 pm, seven days a week.

Please send your comments to enquiry@urbangrowth.nsw.gov.au

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