FINANCIAL STATEMENTS

Directors' declaration

for the year ended 30 June 2015

The Directors declare that:

a) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Western Australian Land Authority Act 1992, including compliance with Australian Accounting Standards and giving a true and fair view of the financial position and performance of the Western Australian Land Authority (LandCorp); and

b) in the Directors' opinion, there are reasonable grounds to believe that LandCorp will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors

Monty House
Chairman

Simon Read
Director

24 August 2015

Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

WESTERN AUSTRALIAN LAND AUTHORITY

I have audited the financial report of the Western Australian Land Authority. The financial report comprises the Statement of Financial Position as at 30 June 2015, the Statement of Profit and Loss and Other 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, and the Director's Declaration.

Directors' Responsibility for the Financial Report
The directors of the Western Australian Land Authority are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Western Australian Land Authority Act 1992, and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
As required by the Western Australian Land Authority Act 1992, my responsibility is to express an opinion on the financial report based on my audit. The audit was conducted in accordance with Australian Auditing Standards. Those Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation of the financial report that gives 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 Authority's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence
In conducting this audit, I have complied with the independence requirements of the Auditor General Act 2006 and Australian Auditing Standards, and other relevant ethical requirements.

Opinion

In my opinion, the financial report of the Western Australian Land Authority is in accordance with schedule 3A of the Western Australian Land Authority Act 1992, including:

(a) giving a true and fair view of the Authority's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

(b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of the Western Australian Land Authority for the year ended 30 June 2015 included on the Authority's website. The Authority's management is responsible for the integrity of the Authority's website. This audit does not provide assurance on the integrity of the Authority's website. The auditor's report refers only to the financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.

COLIN MURPHY
AUDITOR GENERAL
FOR WESTERN AUSTRALIA
Perth, Western Australia
27 August 2015

Statement of profit or loss and other comprehensive income

for the year ended 30 June 2015

	Note	2015 $'000	2014 $'000
Continuing Operations			
Operating revenue	2(a)	505,781	514,888
Operating expenses	2(b)	(352,383)	(369,732)
Gross Profit		153,398	145,156
Other revenue	2(a)	14,769	25,039
Estate holding expenses		(47,970)	(51,309)
Employee benefit expenses		(26,202)	(26,293)
Consultant expenses		(3,574)	(3,521)
Advertising, public relations and sponsorship		(7,179)	(7,378)
Other expenses	2(b)	(22,299)	(21,773)
Results from operating activities		60,943	59,921
Finance income	2(a)	1,643	2,146
Finance costs		(5,024)	(7,654)
Net finance costs		(3,381)	(5,508)
Profit before income tax		57,562	54,413
Income tax expense	3	(17,271)	(16,320)
Profit for the period		40,291	38,093
Other comprehensive income, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Defined benefit plan actuarial gains (losses)		-	-
Income tax on other comprehensive income	3	-	-
Other comprehensive costs for the period, net of income tax		-	-
Total comprehensive income for the period		40,291	38,093

The Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of financial position

as at 30 June 2015

	Note	2015 $'000	2014 $'000
CURRENT ASSETS			
Cash and cash equivalents	16(a)	4,012	19,885
Receivables	4	28,005	85,714
Inventories	5	444,217	385,123
Other financial assets	6	29,027	15,000
Other assets	10	42,710	34,612
Total current assets		547,971	540,334
NON-CURRENT ASSETS			
Receivables	4	19,817	24,871
Inventories	5	308,046	322,911
Property, plant and equipment	7	286,395	286,271
Intangibles	8	3,907	6,281
Deferred tax assets	9	25,683	27,480
Other assets	10	30,488	26,604
Total non-current assets		674,336	694,418
TOTAL ASSETS		1,222,307	1,234,752
CURRENT LIABILITIES			
Payables	11	94,110	69,031
Loans and borrowings	16(c)	125,522	159,953
Current tax liabilities	12	9,422	8,317
Provisions	13	5,201	5,324
Other liabilities	14	5,904	27,825
Total current liabilities		240,159	270,450
NON-CURRENT LIABILITIES			
Provisions	13	1,921	1,662
Other liabilities	14	32,947	33,329
Total non-current liabilities		34,868	34,991
TOTAL LIABILITIES		275,027	305,441
NET ASSETS		947,280	929,311
EQUITY			
Contributed equity	15	395,542	385,422
Retained profits		551,738	543,889
TOTAL EQUITY		947,280	929,311

The Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of changes in equity

for the year ended 30 June 2015

	$'000 Contributed Equity	$'000 Retained Profits	$'000 Total
Balance at 1 July 2013	385,422	537,742	923,164
Total comprehensive income for the period			
Profit or loss	-	38,093	38,093
Other comprehensive income			-
Defined benefit plan actuarial gains (losses) net of tax	-	-	-
Total other comprehensive income	-	-	-
Total comprehensive income for the period	-	38,093	38,093
Transactions with owners recorded directly in equity			
Dividends (note 23)	-	(31,946)	(31,946)
Distributions to owners (note 15)	-	-	-
Contributions of equity (note 15)	-	-	-
Balance at 30 June 2014	385,422	543,889	929,311
Balance at 1 July 2014	385,422	543,889	929,311
Total comprehensive income for the period			
Profit or loss	-	40,291	40,291
Other comprehensive income			-
Defined benefit plan actuarial gains (losses) net of tax	-	-	-
Total other comprehensive income	-	-	-
Total comprehensive income for the period	-	40,291	40,291
Transactions with owners recorded directly in equity			
Dividends (note 23)	-	(32,442)	(32,442)
Distributions to owners (note 15)	-	-	-
Contributions of equity (note 15)	10,120	-	10,120
Balance at 30 June 2015	395,542	551,738	947,280

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of cash flows

for the year ended 30 June 2015

	Note	2015 $'000	2014 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		564,378	518,377
Operating subsidies received		103,640	86,849
Payments to suppliers and employees		(584,610)	(484,215)
Interest received		2,014	1,789
Interest paid		(4,850)	(8,393)
Income tax paid		(14,369)	(20,431)
Net cash from operating activities	16(b)	66,203	93,976
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for investments		(103,013)	(324,491)
Proceeds on sale of investments		88,986	319,491
Payments for property, plant and equipment		(11,490)	(8,329)
Proceeds from sale of property, plant and equipment		194	9,095
Net cash used in investing activities		(25,323)	(4,234)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from equity contribution		10,120	-
Proceeds from borrowings		127,567	150,624
Repayment of borrowings		(161,998)	(216,624)
Payment of dividend		(32,442)	(31,946)
Net cash from financing activities		(56,753)	(97,946)
Net decrease in cash and cash equivalents		(15,873)	(8,204)
Cash and cash equivalents at 1 July		19,885	28,089
Cash and cash equivalents at 30 June	16(a)	4,012	19,885

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

for the year ended 30 June 2015

Western Australian Land Authority (LandCorp) is the Western Australian Government's land and property development agency with its office and principal place of business as follows:

Level 6 Wesfarmers House
40 The Esplanade
PERTH, WA 6000

LandCorp is a not-for-profit entity that is controlled by the State Government of Western Australia.

Note 1 Summary of significant accounting policies

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

The financial statements were authorised for issue by the Directors on 24 August 2015.

a) Basis of preparation

The financial statements constitute a general purpose financial report which has been prepared in accordance with the Western Australian Land Authority Act 1992, Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) except for AASB 8 Operating Segments, AASB 120 Accounting for Government Grants and Disclosure of Government Assistance and AASB 124 Related Party Disclosures (which are not applicable to not-for-profit entities).

The statements have been prepared on the accrual basis of accounting using the historical cost convention. Accounting policies have been applied in a manner which ensures the resulting financial information satisfies the concepts of relevance and reliability.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

In estimating the fair value of an asset or a liability, LandCorp takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of AASB 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 2 or value in use in AASB 136.

b) Functional and presentation currency

The financial statements are presented in Australian dollars, which is both the functional and presentation currency of LandCorp.

c) Use of estimates and judgements

The preparation of financial statements in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from the estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 4 Receivables, with reference to Note 19 Financial instruments
- Note 5 Inventories
- Note 13 Provisions, with reference to Note 17 Employee benefits
- Note 18 Commitments, with reference to Note 24 Leasing arrangements

d) Application of new and revised Accounting Standards

i) Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)

In the current year, LandCorp has applied a number of new and revised AASBs issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2014. These Standards and Interpretations did not have a material impact on the financial statements or performance of LandCorp.

Note 1 Summary of significant accounting policies (cont'd)

AASB 2012-3 Amendments to Australian Accounting Standards – offsetting Financial Assets and Financial Liabilities.

AASB 2013-3 Amendments to AASB 136- Recoverable Amount Disclosures for Non- Financial Assets.

AASB 2014-1 Amendments to Australian Accounting (Part A: Annual improvements 2010-2012 and 2011-2013 Cycles).

AASB 1031 Materiality, AASB 2013-9 Amendments to Australian Accounting Standards- Conceptual Framework, Materiality and Financial Instruments (Part B: Materiality), AASB 2014-1 Amendments to Australian Accounting Standards (Part C: Materiality).

ii) Standards and Interpretations in issue not yet adopted

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

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 Financial Instruments and the relevant amending standards	1 January 2018	30 June 2019
AASB 15 Revenue from Contracts with Customers and AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15	1 January 2017	30 June 2018
AASB 2014 Amendments to Australian Accounting Standards - Accounting for Interests in Joint Ventures	1 January 2016	30 June 2017
AASB 2014-4 Amendments to Australian Accounting Standards Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016	30 June 2017
AASB 2014-9 Amendments to Australian Accounting Standards Equity Method in Separate Financial Statements	1 January 2016	30 June 2017
AASB 2014-10 Amendments to Australian Accounting Standards Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016	30 June 2017
AASB 2015-1 Amendments to Australian Accounting Standards Annual Improvements to Australian Accounting Standards 2012-2014 Cycle	1 January 2016	30 June 2017
AASB 2015-2 Amendments to Australian Accounting Standards Disclosure Initiative: Amendments to AASB 101	1 January 2016	30 June 2017
AASB 2015-3 Amendments to Australian Accounting Standards Arising from the Withdrawal of AASB 1031 Materiality	1 July 2015	30 June 2016

At the date of publication there have been no IASB Standards and IFRIC Interpretations that are issued but not yet effective.

Note 1 Summary of significant accounting policies (cont'd)

e) Payables

Payables, including accruals not yet billed, are recognised when LandCorp becomes obliged to make future payments as a result of a purchase of assets or services. Payables are generally settled within 30 days. Payables are measured initially at fair value and subsequently at amortised cost using the effective interest method.

f) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

An item of property, plant and equipment may be gifted or contributed to LandCorp. Under these circumstances the deemed cost of the item is its fair value as at the date it was gifted or contributed.

(ii) Subsequent costs

The costs of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to LandCorp and the cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Property, plant and equipment having a limited useful life are systematically depreciated over their useful lives in a manner which reflects the consumption of their future economic benefits. No depreciation is charged on freehold land. Depreciation is provided for on the straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value using rates which are reviewed annually.

The following estimated useful lives are used in the calculation of depreciation for each class of depreciable asset unless another method provides a better estimate of useful life:

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Items of property, plant and equipment costing less than $1,000 are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

Capital Works in Progress includes expenditure on assets which are under construction but not substantially complete at reporting date.

g) Intangible assets

Computer software has a limited useful life and is carried at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over an estimated useful life of four years, which is reviewed annually, with the effect of any changes in estimate being accounted for on a prospective basis.

h) Employee benefits

(i) Wages, salaries, annual leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in provision for employees benefits in respect of employees' services up to the reporting date. They are calculated at undiscounted amounts based on the wage and salary rates that LandCorp expects to pay as at reporting date including related on-costs such as workers compensation insurance and payroll tax. Non-accumulating non-monetary benefits such as medical care and cars are expensed based on the net marginal cost to LandCorp as the benefits are taken by employees.

(ii) Long service and annual leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by the employees up to the reporting date plus related on-costs. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service.

Annual leave expected to be settled more than 12 months after the reporting date is measured as the present value of the expected future payments, adjusted for future wage and salary levels, and are recognised in the provision for employee benefits.

Note 1 Summary of significant accounting policies (cont'd)

h) Employee benefits (cont'd)

Expected future payments are discounted using a discount rate of 2.74% pa which was based on the Commonwealth Government bond rate at 30 June 2015 (2014: 3.69% pa). The method used is the actuarial cost method. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise.

The last actuarial assessment of long service leave was performed in July 2015 in respect of the year ended 30 June 2015. An assessment is carried out on an annual basis and will provide the basis for the liability reported.

(iii) Superannuation

• Defined contribution superannuation funds:

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in profit or loss when they are due.

• Defined benefit superannuation funds:

LandCorp does not have any defined benefit superannuation scheme. Certain employees of LandCorp are members of the Gold State Super which is a state plan funded by contributions from employers and LandCorp does not have any legal liability to cover any deficit arising from this scheme. However, certain employees of LandCorp who were former members of a pension scheme had transferred to Gold State Super prior to its closure. In respect of their transferred benefits these members receive a lump sum benefit at retirement, death or invalidity which is related to their salary during their employment and indexed during any deferral period after leaving public sector employment.

The pre-transfer service benefits (which is unfunded) of these employees who transferred to the Gold State Super remains the liability of LandCorp and is determined by actuarial valuations carried out at each reporting date. Actuarial gains and losses are recognised in full in the Statement of Profit or Loss and Other Comprehensive Income in the period which they occur.

i) Contributed equity

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

j) Foreign currency

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

k) Goods and services tax

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

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

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

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

l) Income tax

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

As a consequence of participation in the NTER, LandCorp is required to comply with Accounting Standard AASB 112 Income Taxes.

(i) Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or subsequently enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. 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 periods is recognised as a liability (or asset) to the extent it is unpaid (or refundable).

Note 1 Summary of significant accounting policies (cont'd)

l) Income tax (cont'd)

(ii) Deferred tax

Deferred tax is accounted for using the balance sheet liability method. Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled.

The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. 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. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from the recognition of goodwill.

Deferred tax assets are recognised for deductible temporary differences only if it is probable that future taxable amounts will be available to utilise those temporary differences.

In determining the amount of current and deferred tax LandCorp takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. LandCorp believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events.

New information may become available that causes LandCorp to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a basis or their tax assets and liabilities will be realised simultaneously.

m) Inventory – land held for sale

Land held for sale comprising development properties are carried at the lower of cost or net realisable value (based on undiscounted cash flows). Cost includes the cost of acquisition and development. Amounts are disclosed as current where it is anticipated that land will be developed ready for sale within twelve months after reporting date. Net realisable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

n) Unincorporated joint venture operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

LandCorp's interest in unincorporated joint ventures (classified as jointly controlled operations) are brought to account by recognising in its financial statements the assets it controls, the liabilities that it incurs, the expenses it incurs and its share of income that it earns from sale of goods by the joint operations.

o) Joint venture entities

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

LandCorp's interest in joint venture entities over whose activities LandCorp has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions, are accounted for using the equity method. Joint venture arrangements have ceased this financial year.

p) Lease arrangements

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Leases in terms of which LandCorp (as a lessee) assumes substantially all of the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to

Note 1 Summary of significant accounting policies (cont'd)

p) Lease arrangements (cont'd)

the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Leases other than finance leases are operating leases and where LandCorp is the lessee in an operating lease arrangement, leased assets are not recognised on the balance sheet.

LandCorp is a lessor in a number of operating leases of industrial, grazing and residential property. These assets are recognised on the balance sheet as items of property plant and equipment or inventory. Refer to note 1(f) and note 1(m) for accounting treatment.

q) Lease payments

LandCorp is a lessee in a number of operating leases. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

r) Provisions

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The increase in the provision due to the passage of time is recognised as a finance cost.

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

(i) Onerous Contracts

Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where LandCorp has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

s) Financial Assets

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets 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. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

(i) Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument 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 debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

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

(ii) Held-to-maturity investments

Commercial bills and term deposits with fixed or determinable payments and fixed maturity dates that LandCorp has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

(iii) 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 any impairment. Interest income is recognised by

Note 1 Summary of significant accounting policies (cont'd)

s) Financial assets (cont'd)

applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

(iv) Derecognition of financial assets

LandCorp derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

If LandCorp neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, LandCorp recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If LandCorp retains substantially all the risks and rewards of ownership of a transferred financial asset, LandCorp continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

t) Receivables

Trade receivables and other receivables expected to be received within 180 days are recognised at face value, less any impairment losses.

Trade receivables and other receivables expected to be received later than 180 days are measured at amortised cost, less any impairment losses.

u) Impairment of assets

(i) Non-financial assets

The carrying amounts of LandCorp's assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there are any indicators of impairment. If any such indication exists then the asset's recoverable amount is estimated. For intangible assets that have an indefinite life or are not yet available for use, recoverable amount is estimated annually and whenever there is an indication of impairment.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that a loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised in prior periods.

(ii) Financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet 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 the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the 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.

v) Revenue recognition

Revenue from land sales is recognised when all the following conditions are satisfied:

- LandCorp has transferred to the buyer the significant risks and rewards of ownership of the land;
- LandCorp retains neither the continuing managerial involvement to the degree usually associated with ownership nor effective control over the land;

Note 1 Summary of significant accounting policies (cont'd)

v) Revenue recognition (cont'd)

- the amount of revenue can be reliably measured;
- it is probable that the economic benefits associated with the transaction will flow to LandCorp; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rent revenue from operating leases is recognised as income on a straight line basis over the rental term.

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

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

Project management revenue is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

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

Unearned revenue comprises prepaid rental income, upfront capital lease payments and partnering agreement participation fees received but not yet earned. Unearned revenue is released to income as and when the services for which it was paid are delivered.

w) Operating subsidy project funding

LandCorp receives operating subsidies funding for certain projects from the Department of Treasury and other Government agencies as a contribution towards either holding costs, land acquisitions or land development and associated costs. This funding is required to ensure LandCorp achieves its hurdle rate of return on these projects and is recognised as revenue in the statement of profit or loss and other comprehensive income when received by LandCorp.

x) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are highly liquid investments with short periods to maturity which is readily convertible to cash and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

y) Investments

LandCorp has investments in commercial bills and term deposits which are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Subsequent to initial recognition, investments in commercial bills and term deposits are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

z) Rounding

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

aa) Comparative amounts

When the presentation or classification of items in the financial report is amended, comparative amounts are reclassified unless the reclassification is impracticable. When comparative amounts are reclassified, LandCorp discloses:

- the nature of the classification;
- the amount of each item or class of items that is reclassified; and
- the reason for the reclassification.

ab) Change in accounting policy

LandCorp made no changes to its accounting policies during the year.

Notes to the financial statements

for the year ended 30 June 2015

	2015 $'000	2014 $'000
Note 2 Profit before income tax		
Profit before income tax includes the following items of revenue and expense		
a) Revenue		
Operating revenue		
Land sales	342,530	362,435
Grants to fund operating subsidy projects	77,464	59,415
Rent revenue	53,438	49,631
Expenses recovery	2,481	11,541
Grants to fund operating subsidy projects - holding costs	26,175	27,434
Royalties	655	668
Project management revenue	3,038	3,764
Total operating revenue	505,781	514,888
Other revenue		
Joint venture share of profits	-	385
Participation fees	2,644	10,151
Other	12,125	14,503
Total other revenue	14,769	25,039
Non-operating revenue		
Interest revenue	1,643	2,146
Total non-operating revenue	1,643	2,146
Total other revenue	16,412	27,185
b) Expenses from ordinary activities		
Operating costs		
Cost of sales	(223,670)	(275,090)
Operating subsidy project expenditure	(85,863)	(61,673)
Share of joint venture losses	-	(96)
Property management expenses	(42,850)	(32,873)
Total operating costs	(352,383)	(369,732)
Other expenses from operating activities		
Administration expenses	(5,047)	(4,834)
Accommodation expenses	(2,238)	(2,055)
Land study expenses	(922)	(45)
Loss on sale of property, plant and equipment	(14)	(45)
Depreciation and amortisation	(14,089)	(14,785)
Other expenses	11	(9)
Total other expenses from ordinary activities	(22,299)	(21,773)

	2015 $'000	2014 $'000
Note 3 Income tax expense		
Current tax expense		
Current period	15,221	18,655
	15,221	18,655
Deferred tax expense		
Origination and reversal of temporary differences	2,050	(2,335)
	2,050	(2,335)
Income tax expense from continuing operations	17,271	16,320
Total income tax expense	17,271	16,320
Numerical reconciliation between tax expense and pre-tax accounting profit		
Total comprehensive income for the period	40,291	38,093
Total income tax expense	17,271	16,320
Profit excluding income tax	57,562	54,413
Income tax using LandCorps domestic rate of 30% (2014: 30%)	17,269	16,323
Non-deductible expenses	2	2
Tax incentives	-	(5)
Total income tax expense	17,271	16,320

	2015 $'000	2014 $'000
Note 4 Receivables		
Current		
Trade receivables	22,937	76,675
Less allowance for doubtful debts	(103)	(218)
	22,834	76,457
GST receivable	5,171	9,257
Total current receivables	28,005	85,714
Non-current		
Trade receivables	19,817	24,871

Refer to note 19 for discussion of financial risks associated with receivables.

Note 5 Inventories

	2015 $'000	2014 $'000
Current - land under development and developed land		
at cost	424,200	372,560
at net realisable value	20,017	12,563
Total current inventories	444,217	385,123
Non-current - undeveloped land		
at cost	296,775	311,640
at net realisable value	11,271	11,271
Total non-current inventories	308,046	322,911
Land held for sale comprises		
Cost of acquisition	365,482	361,049
Development costs	386,781	346,985
Total inventories	752,263	708,034

For land in the Perth metropolitan area and the Bunbury region, the most recent valuations of undeveloped land held for sale, which have not been recognised in the financial statements, were valuations at 1 January 2015 as provided by The Western Australian Land Information Authority (Valuation Services). For all other undeveloped land the values were assessed internally, with reference to 2014 valuations, 2015 unimproved valuations, and current market data. The valuations of developed land held for sale, which have not been recognised in the financial statements, have been determined taking into account advice from independent valuers and real estate agents in accordance with LandCorp's list price and valuation policies and under relevant delegated authorities. List prices are generally reviewed at least twice a year (depending on the type of land) except during static market conditions whereby prices may be reviewed less frequently under the instruction of a relevant delegated authority.

Market value of developed land and undeveloped land held at 30 June 2015 amounted to $2,032,845,000 (2014: $2,212,693,000).

At 30 June 2015 the write-down of inventories to net realiseable value amounted to $3,622,000 (2014: $3,745,000). There were no reversal of write-downs. The write-downs are included in cost of sales.

	2015 $'000	2014 $'000
Note 6 Other financial assets		
Current		
Commercial bills/ investments (note 19(a))	29,027	15,000

Note 7 Property, plant and equipment

Non-Current	Capital works in progress $'000	Freehold land $'000	Buildings $'000	Infra-structure $'000	Equipment $'000	Total $'000
Cost or deemed cost						
Balance at 30 June 2013	(44)	75,796	27,615	26,528	217,288	347,183
Additions	-	7,919	-	-	410	8,329
Cost revisions	44	209	-	521	480	1,254
Reclassification	-	-	-	-	-	-
Disposals	-	(9,233)	-	142	(690)	(9,781)
Balance at 30 June 2014	-	74,691	27,615	27,191	217,488	346,985
Additions	-	9,882	-	-	234	10,116
Cost revisions	-	225	-	-	1,178	1,403
Reclassification	-	-	-	-	(663)	(663)
Disposals	-	-	(3)	-	(554)	(557)
Balance at 30 June 2015	-	84,798	27,612	27,191	217,683	357,284
Accumulated depreciation						
Balance at 30 June 2013			(9,578)	(8,728)	(31,677)	(49,983)
Disposals			-	-	642	642
Reclassification			-	-	-	-
Depreciation expense			(999)	(1,188)	(9,186)	(11,373)
Balance at 30 June 2014			(10,577)	(9,916)	(40,221)	(60,714)
Disposals			3	-	540	543
Reclassification			-	-	-	-
Depreciation expense			(999)	(1,188)	(8,531)	(10,718)
Balance at 30 June 2015			(11,573)	(11,104)	(48,212)	(70,889)
Carrying amounts						
at 30 June 2014	-	74,691	17,038	17,275	177,267	286,271
at 30 June 2015	-	84,798	16,039	16,087	169,471	286,395

LandCorp obtained valuations from Valuation Services to support the carrying value of freehold land included in property, plant and equipment based on their estimated market value at 1 January 2015. Market value of freehold land at 30 June 2015 was $440,084,000 (2014: $352,696,000).

Note 8 Intangible assets

Non-current

	Computer software $'000
Cost	
Balance at 30 June 2013	10,772
Additions	20
Asset improvements	2,190
Balance at 30 June 2014	12,982
Additions	663
Cost revisions	336
Disposals	(2)
Balance at 30 June 2015	13,979
Accumulated amortisation	
Balance at 30 June 2013	(3,331)
Depreciation expense	(3,370)
Balance at 30 June 2014	(6,701)
Depreciation expense	(3,371)
Balance at 30 June 2015	(10,072)
Carrying amounts	
at 30 June 2014	6,281
at 30 June 2015	3,907

	2015 $'000	2014 $'000
Note 9 Deferred tax assets and liabilities		
Non-current		
Deferred tax asset	25,683	27,480
Unrecognised deferred tax assets		
Deferred tax assets have not been recognised in respect of the following items:		
Deductible temporary differences	10,823	10,823
	10,823	10,823

The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because they will only become available in the event that the underlying assets are held until utilisation of all capital works deductions.

Recognised deferred tax assets and liabilities and movement in temporary differences during the year
Deferred tax assets and liabilities are attributable to the following:

2015 Temporary differences	Opening balance $'000	Recognised in profit or loss $'000	Under (over) provision in prior year $'000	Recognised directly in equity $'000	Closing balance $'000
Inventories	20,650	(1,121)	-	-	19,529
Property, plant and equipment	6,026	(629)	-	-	5,397
Accrued expenses	40	1	-	-	41
Provision for superannuation	2	-	-	-	2
Provision for annual leave	644	96	-	-	740
Provision for long service leave	1,448	(53)	-	-	1,395
Provision for doubtful debts	65	(35)	-	-	30
Joint venture income recognition	931	(793)	(138)	-	-
Provision for fringe benefit tax	13	(9)	-	-	4
Provision for future development obligation	4,596	117	-	-	4,713
Accrued interest income	(33)	33	-	-	-
Recognition of long leases	5,614	(115)	-	-	5,499
Income received in advance	(11,048)	2,224	-	-	(8,824)
Joint venture development costs	(1,468)	(1,375)	-	-	(2,843)
	27,480	(1,659)	(138)	-	25,683

Note 9 Deferred tax assets and liabilities (cont'd)

2014 Temporary differences	Opening balance $'000	Recognised in profit or loss $'000	Under (over) provision in prior year $'000	Recognised directly in equity $'000	Closing balance $'000
Inventories	23,688	(3,038)	-	-	20,650
Property, plant and equipment	(159)	1,072	5,113	-	6,026
Accrued expenses	39	1	-	-	40
Provision for superannuation	264	(262)	-	-	2
Provision for annual leave	688	(44)	-	-	644
Provision for long service leave	1,505	(57)	-	-	1,448
Provision for doubtful debts	65	-	-	-	65
Joint venture income recognition	6,588	(5,657)	-	-	931
Provision for Fringe Benefit Tax	-	13	-	-	13
Provision for future development obligation	3,916	680	-	-	4,596
Accrued interest income	(12)	(21)	-	-	(33)
Recognition of long leases	1,931	3,683	-	-	5,614
Income received in advance	(11,771)	368	355	-	(11,048)
Joint venture development costs	(1,596)	128	-	-	(1,468)
	25,146	(3,134)	5,468	-	27,480

Movement in unrecognised deferred tax assets and liabilities during the year

	Balance 1 July 13 $'000	Recognised $'000	Balance 1 July 14 $'000	Recognised $'000	Balance 30 June 15 $'000
Deductible temporary differences	10,823	-	10,823	-	10,823

	2015 $'000	2014 $'000
Note 10 Other assets		
Current		
Deposit bonds	1,251	942
Deposits for land acquisitions	38,299	16,270
Prepayments	3,160	17,400
Total current other assets	42,710	34,612
Non-current		
Deposits for land acquisitions	30,488	26,604
Note 11 Payables		
Current		
Trade payables	22,616	18,196
Accrued expenses	66,725	44,340
GST payable	4,769	6,495
Total current payables	94,110	69,031
Note 12 Tax liabilities		
Current		
Income tax payable	9,422	8,317

	2015 $'000	2014 $'000
Note 13 Provisions		
Current		
Employee benefits (note 17(a))	5,201	5,324
Total current provisions	5,201	5,324
Non-current		
Employee benefits (note 17(a))	1,915	1,656
Defined benefit superannuation plan (note 17(b))	6	6
Total non-current provisions	1,921	1,662

Note 14 Other liabilities

	2015 $'000	2014 $'000
Current		
Deposits (i)	2,371	21,755
Unearned revenue	3,533	6,070
Total current other liabilities	5,904	27,825
Non-current		
Unearned revenue	17,947	18,329
Other	15,000	15,000
	32,947	33,329

(i) Deposits include deposits received on sale of land.

Note 15 Equity

	2015 $'000	2014 $'000
Contributed equity		
Opening balance:		
Capital contributed on formation	113,957	113,957
Capital contributed by State Government	271,465	271,465
	385,422	385,422
Capital contributed by State Government during the year (i)	10,120	-
Total contributed equity	395,542	385,422

(i) Capital contributed by State Government during the year

	2015 $'000	2014 $'000
Department of Treasury funding	9,120	-
Royalties for Regions funding	1,000	-
Total capital contributed by State Government during the year	10,120	-

	2015	2014
	$'000	$'000

Note 16 Notes to the statement of cash flows

(a) Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalents 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:

	2015 $'000	2014 $'000
Cash and cash equivalents	4,012	19,885
(b) Reconciliation of cash flows from operating activities		
Profit for the period	40,291	38,093
Adjustments for:		
Sale of non-current assets (profit) loss	-	44
Depreciation and amortisation of non-current assets	14,089	14,743
Income tax expense	17,272	16,320
	71,651	69,200
Assets (increase)/ decrease		
Receivables	62,763	(393)
Inventories	(44,229)	110,314
Investments in joint ventures	-	5,418
Other assets	(11,982)	15,987
Liabilities increase/ (decrease)		
Payables	25,079	(7,566)
Provisions	136	(91,839)
Other liabilities	(22,849)	13,286
Cash generated from operating activities	80,569	114,407
Net income tax paid	(14,367)	(20,431)
Net cash from operating activities	66,202	93,976
(c) Financing facilities		
Unsecured bank overdraft facility, reviewed annually and payable at call:		
Amount used	-	-
Amount unused	2,000	2,000
	2,000	2,000
Secured loan facilities with Western Australian Treasury Corporation (WATC)		
Amount used	125,522	159,953
Amount unused	210,478	140,047
	336,000	300,000

Note 16 Notes to the statement of cash flows (cont'd)

	2015 $'000	2014 $'000
Through the State Budget, Government has approved LandCorp's borrowing projections based on cash flow estimates and the limits are as follows:		
Borrowing limit	125,522	159,953
"Intra-year" peak borrowings	336,000	253,100

Note 17 Employee benefits

(a) The aggregate employee entitlement liability (other than under the defined benefit superannuation plan) recognised and included in the financial statements is as follows:

	2015 $'000	2014 $'000
Current provision for employee benefits (note 13)	5,201	5,324
Non-current provision for employee benefits (note 13)	1,915	1,656
	7,116	6,980

(b) Defined benefit superannuation plan

The principal assumptions used for the purposes of the actuarial assumptions were as follows:

	2015 %	2014 %
Discount rate	2.74	3.69
Expected salary increase rate	4.00	5.00

Movement in the present value of the defined benefit obligations were as follows:

	2015 $'000	2014 $'000
Opening defined benefit obligation	6	6
Closing defined benefit obligation	6	6

Historical information *(Gold State Super)*	2015 $'000	2014 $'000	2013 $'000	2012 $'000	2011 $'000
Present value of defined benefit obligation	6	6	6	886	747
Fair value of scheme assets	-	-	-	-	-
(Surplus)/deficit in scheme	6	6	6	886	747
Experience adjustments (gain)/loss - scheme liabilities	-	-	(39)	(40)	-

The experience adjustment for Scheme liabilities represents the actuarial loss (gain) due to a change in the liabilities arising from the Scheme's experience (eg membership movements, unit entitlements) and excludes the effect of the changes in assumptions (eg movements in the bond rate and changes in pensioner mortality assumptions).

(Gold State Super)	2015 $'000
Expected employer contributions	-

	2015 $'000	2014 $'000
Note 18 Commitments		
(a) Capital commitments expenditure		
Development of land	199,395	155,039
Community service obligation (project funding received in advance)	29,344	36,808
	228,739	191,847

(b) Operating lease commitments

Operating lease commitments are disclosed in note 24(a)

Note 19 Financial risk management

(a) Financial risk management

LandCorp has exposure to the following risks from their use of financial instruments:
- credit risk
- liquidity risk
- market risk

This note presents information about LandCorp's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring risk management policies. The committee reports regularly to the Board on its activities.

Risk management policies are established to identify and analyse the risks faced by LandCorp, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and LandCorp's activities. LandCorp, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with LandCorp's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by LandCorp. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(b) Credit risk

Credit risk is the risk of financial loss to LandCorp if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from LandCorp's receivables from customers and investments.

Exposure to credit risk

The carrying amount of LandCorp's financial assets represents the maximum credit exposure. LandCorp's maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	2015 $'000	2014 $'000
Held-to-maturity and/or cash investments	29,027	15,000
Loans and receivables	42,651	101,328
Cash and cash equivalents	4,012	19,885
	75,691	136,213

Note 19 Financial risk management (cont'd)

Investments

LandCorp limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have a credit rating of AA from Standard & Poor's. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

Trade and other receivables

LandCorp's exposure to credit risk is influenced mainly by the nature of each type of debtor and a risk management approach is taken. Approximately 37% (2014: 2%) comprises debt from other Government agencies to be paid over time and is considered to be low risk.

It should be noted that due to the nature of LandCorp's business, the vast majority of LandCorp's revenue is received and recognised at the time of settlement of the sale of land, hence debtors make up a small proportion of LandCorp's overall customer base.

New non-Government debtors are analysed individually for creditworthiness before LandCorp's standard payment and delivery terms and conditions are offered.

Given the one-off nature of land sales with LandCorp, less than 10% (2014: less than 10%) of LandCorp's customers have transacted with LandCorp previously, and losses have occurred infrequently. In monitoring debtor credit risk, debtors are grouped according to their credit characteristics; whether they are a Government or non-Government debtor. Debtors that are graded as higher risk are monitored for late payment and may be subject to legal action.

LandCorp has established an allowance for impairment that represents their estimate of incurred losses in respect of trade and other receivables. The allowance is a specific loss component that relates to individual exposures.

LandCorp's maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	Carrying amount	
	2015 $'000	2014 $'000
Australia	42,754	101,546

LandCorp's maximum exposure to credit risk for trade receivables at the reporting date by type of debtor was:

	Carrying amount	
	2015 $'000	2014 $'000
Government debtors	12,590	15,260
Non-Government debtors	30,164	86,286

Note 19 Financial risk management (cont'd)

Impairment losses

LandCorp's receivables past due amount to $766,000 (2014: $769,000). The aging of LandCorp's trade receivables at the reporting date was:

	Trade receivables		Gross Impairment	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Not past due	41,988	100,777	-	-
Past due 1-30 days	291	413	-	-
Past due 31-60 days	108	118	-	-
Past due 61-90 days	54	20	-	-
Past due 91-180 days	155	-	-	-
Past due more than 181 days	158	218	103	218
	42,754	101,546	103	218

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2015 $'000	2014 $'000
Balance at 1 July	218	218
Movement	(115)	-
Balance 30 June	103	218

Note 19 Financial risk management (cont'd)

Impairment losses (cont'd)

LandCorp believes no impairment allowance is necessary in respect of trade receivables not past due or past due by up to 60 days. LandCorp does make an impairment allowance for all receivables greater than 181 days. The debt owed by Exmouth Marina Holdings Pty Ltd was written off during the year and the allowance for impairment was reversed.

The allowance accounts in respect of trade receivables and held-to-maturity investments are used to record impairment losses unless LandCorp is satisfied that no recovery of the amount owing is possible; at that point the amount is considered irrecoverable and is written off against the financial asset directly. At 30 June 2015 LandCorp does not have any collective impairments on its trade receivables or its held-to-maturity investments (2014: nil).

(c) Liquidity risk

Liquidity risk is the risk that LandCorp will not be able to meet its financial obligations as they fall due. LandCorp's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to LandCorp's reputation.

LandCorp uses market value to cost its land, which assists it in monitoring cash flow requirements and optimising its cash return on investments. Typically LandCorp ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 30 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, LandCorp maintains the following lines of credit:

- $2 million bank overdraft facility that is unsecured. Interest would be payable at the bank's published Corporate Overdraft Reference Rate less 100 basis points.
- $336 million (2014: $300 million) provided by WA Treasury Corporation (WATC) that can be drawn down to meet short and long-term financing needs. The facility has a flexible maturity that is renewable and repayable at the option of LandCorp. Interest is calculated on a variable basis and is payable at the WATC lending rate for this structure on the day the funds are advanced plus or minus 100 basis points.
- Guarantees established in favour of Commonwealth Bank of Australia for guarantees issued to various Government entities for satisfactory contract performance, secured by underlying land assets, amounting to $20 million (2014 - $20 million).

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

2015	Weighted average effective interest rate %	Carrying amount $'000	Contractual cash flows $'000	6 months or less $'000	6-12 months $'000	More than 1 year $'000
Trade and other payables		94,110	(94,110)	(91,956)	(998)	(1,156)
WATC loan	2.97%	125,522	(125,522)	(125,522)	-	-
Bank overdraft		-	-	-	-	-
		219,632	(219,632)	(217,478)	(998)	(1,156)
2014						
Trade and other payables		69,031	(69,031)	(67,361)	(651)	(1,019)
WATC loan	3.47%	159,953	(159,953)	(159,953)	-	-
Bank overdraft		-	-	-	-	-
		228,984	(228,984)	(227,314)	(651)	(1,019)

Note 19 Financial risk management (cont'd)

(d) Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect LandCorp's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

LandCorp currently has no derivative arrangements.

Currency risk

LandCorp's exposure to currency risk is immaterial.

LandCorp holds no foreign currency loans or other monetary assets and liabilities and incurs no foreign currency interest.

Interest rate risk

At the reporting date the interest rate profile of LandCorp's interest-bearing financial assets and liabilities was:

$'000	2015	2014
Variable rate instruments		
Financial assets	33,039	34,885
Financial liabilities	(125,522)	(159,953)

Cash flow sensitivity analysis for variable rate instruments:

A change of 100 basis points in interest rates at the reporting date would have increased/ (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2014.

	Profit or Loss	
2015 $'000	100 bp increase	100 bp decrease
Financial assets	330	(330)
Financial liabilities	(1,255)	1,255
2014 $'000		
Financial assets	349	(349)
Financial liabilities	(1,600)	(1,600)

Note 19 Financial risk management (cont'd)

Fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	30 June 2015		30 June 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Other financial assets	29,027	29,027	15,000	15,000
Loans and receivables	42,651	42,651	101,328	101,328
Cash and cash equivalents	4,012	4,012	19,885	19,885
Trade and other payables	(94,110)	(94,110)	(69,031)	(69,031)
WATC loan	(125,522)	(125,522)	(159,953)	(159,953)
	(143,941)	(143,941)	(92,771)	(92,771)

Capital Management

The Board's policy is to maintain a strong capital base so as to maintain shareholder, creditor and market confidence and to sustain the future development of the business.

The Board's policy is referred to in Section 19 of the Western Australian Land Authority Act 1992.

Under the Western Australian Land Authority Act 1992, LandCorp has agreed a dividend policy with its shareholder, the State Government, around a set formula. A balance is retained as a source of capital base for ongoing activities.

There were no changes to LandCorp's approach to capital management during the year.

LandCorp is not subject to externally imposed capital requirements.

	2015 $'000	2014 $'000

Note 20 Land sales contracts

	2015 $'000	2014 $'000
Unsettled sales contracts (i)	72,144	176,739

(i) Unsettled sales contracts have not been included in revenue since neither title nor possession has been transferred. This treatment is in accordance with the Accounting Policy explained in note 1(v).

Note 21 Remuneration of auditors

	2015 $'000	2014 $'000
Audit of the financial report	138	134

Note 22 Contingent liabilities

The directors are of the opinion that LandCorp has no contingent liabilities.

Note 23 Dividends

	2015 $'000	2014 $'000
Recognised amounts		
Normal dividend	17,192	16,970
Special dividends:		
- AMC Common User Facility	13,290	13,290
- 5% Efficiency saving	1,049	1,101
- Additional efficiency saving	911	585
	32,442	31,946

In the August 2014 Board meeting, the Board approved to recommend to the Minister a final dividend for 2014/15 of $32,442,000. Total dividends paid in 2015: $32,442,000 (2014: $31,946,000) in respect of LandCorp's operations.

	2015 $'000	2014 $'000

Note 24 Leasing arrangements

(a) Operating lease commitments

LandCorp has its office premises and its motor vehicle fleet under non-cancellable operating leases. Total commitments for future lease payments which have not been provided for in the accounts are as follows:

	2015 $'000	2014 $'000
No later than 1 year	2,605	1,744
Later than 1 year and not later than 5 years	10,766	7,011
Later than 5 years	12,167	11,364
	25,538	20,119

(b) Operating lease receivables

LandCorp holds certain land and buildings for strategic purposes only. Such holdings are rentable properties and are treated as operating lease receivables. Total future lease receivables are as follows:

	2015 $'000	2014 $'000
No later than 1 year	52,721	52,476
Later than 1 year and not later than 5 years	228,195	248,080
Later than 5 years	234,399	224,277
	515,315	524,833

Leases are negotiated in terms between 2 to 5 years with the exception of certain contracts that last up to 50 years. Rental rates are subject to future adjustments based on the terms of the lease arrangements. Outstanding operating leases are based on existing rates and do not include the extension periods under option.

Note 25 - Subsequent events

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected or may significantly affect LandCorp's operations, the results of those operations, or LandCorp's state of affairs in future financial years.

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