

GOVERNMENT PROPERTY NSW

# ANNUAL REPORT

---

2012-13



Government  
Property NSW

The Hon. Andrew Constance MLA  
Minister for Finance and Services  
Level 36, Governor Macquarie Tower  
1 Farrer Place  
SYDNEY NSW 2000

Dear Minister

In accordance with the *Annual Reports (Statutory Bodies) Act 1984* I have pleasure in submitting to you, for presentation to Parliament, a report on the activities and financial affairs of Government Property NSW for the period from 1 July 2012 to 30 June 2013.  
Yours sincerely



**Brett Newman**  
**Chief Executive Officer**  
**Government Property NSW**

## STATEMENT BY THE CHIEF EXECUTIVE OFFICER

Following the recommendations of the Property Asset Utilisation Taskforce (PAUT), the NSW Government established Government Property NSW (GPNSW) to replace the former State Property Authority and subsume the responsibilities of the Government Asset Management Committee.

The PAUT Report recommended that ‘the goal of real property asset management policy should be to ensure that government only holds real property assets when, and in the form necessary, to support core service delivery (including those assets of a long term strategic importance).’

Government Property NSW was also assigned the NSW Government mandate to improve the management of the government’s owned and leased real property portfolio.

Throughout 2012-13 GPNSW continued to manage the government’s owned and leased office accommodation, through the acquisition, management and disposal of property for government agencies.

Lease negotiation involved over 300 activities and represented more than 320,000 square metres of office space. Total Gross Rent received was over \$479 million, from a portfolio under management of almost 1.4 million square metres.

Under our mandate to divest surplus government assets, GPNSW assisted the Office of Finance with the sale of seven government-owned buildings (six of which were GPNSW owned) in Sydney and regional NSW for over \$405 million, which was well above expectations.

We also strengthened our role as a central government agency, particularly in providing assistance to the Department of Premier and Cabinet, NSW Treasury and Service NSW on the selection of sites for new service centres, and to a number of agencies in planning major relocations.

Significantly, we obtained cabinet approval for the implementation of the Decade of Decentralisation policy in relation to CBD office accommodation, and the relocation of central government from Governor Macquarie Tower to 52 Martin Place.

GPNSW also continued to improve the quality of government office buildings, through capital expenditure of almost \$22 million on the building refurbishment program. The projects covered over 30 electorates, including 14 government owned buildings in regional centres.

Key programs where funding was allocated included almost \$1 million for Disability Access.

We also delivered two major projects for Family and Community Services (FACS) in the far west of NSW. Work was completed on two access centres; a \$1.7 million centre in Nyngan and another in Wilcannia, valued at \$1.8 million. These centres will enable FACS to deliver improved services to disadvantaged communities in the area.

Around the state, our commitment to reducing energy use has seen substantial improvement across 50 of the government's largest owned buildings. Total energy consumption in these buildings has fallen by 3.4%, resulted in a 4% reduction in greenhouse gas emissions, and delivered substantial savings to client agencies.

We have increased our focus on customer service and stakeholder engagement across all our business units. For example, more of our clients can now use the self-service portal to access our Helpdesk Services.

This meant we handled almost nine thousand fewer requests than the previous year, for a total of 38,628 enquiries, giving Helpdesk staff more time to deal with customer requests.

During 2013-14, GPNSW will complete its organisational restructure, to assist in the implementation of the recommendations of the PAUT report. This will result in a new executive structure, in line with the reforms announced by the Premier in February 2013.

In addition, we will continue to engage our staff in building a culture of performance, innovation and service.

GPNSW will continue to work with agencies to deliver significant benefits including lower rents, improved utilisation and lower operating costs, allowing agencies to focus on their core service delivery.



Brett Newman  
Chief Executive Officer  
Government Property NSW

## OUR CHARTER

Government Property NSW is the NSW Government's body for considering all strategic real property management issues.

Established in December 2012 under the Government Property NSW Act 2006, GPNSW primarily deals in the acquisition, management and disposal of property vested in the Crown and government agencies; in particular, generic properties such as offices, warehouses, depots and car parks.

Government Property NSW is a non-controlled entity of the Department of Finance and Services.

Government Property NSW operates under the following principal legislation:

- Government Property NSW Act 2006
- Public Finance and Audit Act 1983

## AIMS AND OBJECTIVES

Government Property NSW has been assigned the mandate to improve the management of the NSW Government's owned and leased property portfolio, with responsibility for considering all strategic real property asset management issues.

Our principal stakeholders include government agencies and our principal objectives are to:

- improve operational efficiencies in the use of properties of government agencies, particularly generic properties (such as offices, warehouses, depots and car parks),
- manage properties of government agencies in a way that supports the service delivery functions of those agencies,
- provide advice and support within government on property matters,
- operate at least as efficiently as any comparable business, consistently with the principles of ecologically sustainable development and social responsibility for the community (including the indigenous community)

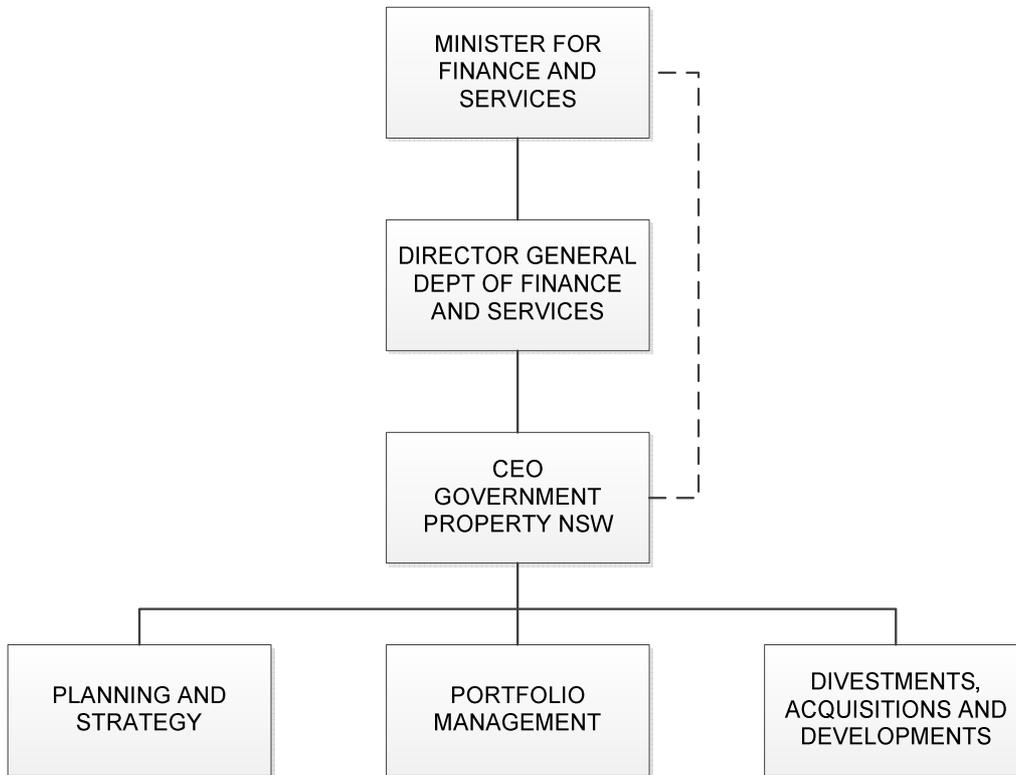
## MANAGEMENT AND STRUCTURE

Operationally, Government Property NSW is managed by a Chief Executive Officer who reports to the Minister for Finance and Services, both directly and via the Director-General of the Department of Finance and Services.

Under the Government Property NSW Act 2006, GPNSW is also required to report to the Treasurer on matters relating to the properties of government agencies, including advice on their efficient utilisation and relevant budgetary measures.

GPNSW has a number of operational and management committees relating to its core functions, including the Executive Committee; the ICT Committee; the Capital Expenditure Committee; the Workplace Health and Safety Committee; the Executive Finance Committee; and the Audit and Risk Committee.

**ORGANISATIONAL CHART AS AT 30 JUNE 2013**



**PLANNING AND STRATEGY**

The Planning and Strategy unit undertakes strategic asset property planning and analysis, the development of accommodation standards and guidelines, and regional property analysis. Through its co-ordination of the review program, the unit identifies opportunities and develops strategies to achieve efficiency in property management.

**PORTFOLIO MANAGEMENT**

The Portfolio Management unit is responsible for the management and maintenance of government owned and leased property. This includes capital works, lease negotiation and management, portfolio services, engineering and facility management, and contract administration. Efficiencies are achieved in the leasing, management and maintenance of the government’s real estate portfolio.

**DIVESTMENTS, ACQUISITIONS AND DEVELOPMENTS**

The Divestments, Acquisitions and Developments unit is responsible for commercial property transactions and development projects. It identifies opportunities, develops strategies, proposals and programs to acquire land and properties to support improvements to government services; disposes of surplus properties; and manages property development projects outside the scope of individual agencies’ capital investment programs.

## MAJOR WORKS IN PROGRESS

Hunters Hill, Sydney – Completed preparation of an environmental assessment and remediation action plan for three government-owned properties in Nelson Parade, Hunters Hill. Lodged the planning application and are currently finalising a report responding to the submissions received during the public exhibition process.

Albury Multi Agency Depot – Completed design and obtained development consent for a \$2.7 million depot in Albury to consolidate six separate agency facilities into the one location.

## OPERATIONAL ACHIEVEMENTS 2012-13

In 2012-13, Government Property NSW recorded a net result of \$58.7 million against a budgeted surplus of \$42.6 million. A \$16.1 million favourable variance was mainly due to a net gain from the sale of six GPNSW owned office accommodation properties as part of the first tranche of PAUT recommended divestments.

Financial distributions of \$297.8 million to government comprised \$28.0 million from surplus income on rental operations and \$269.8 million from net asset sale proceeds. Financial distributions exceeded budget by \$264.8 million, mainly due to non-budgeted capital repatriations from net asset proceeds.

A summary of overall performance against key performance indicators is set out below.

KEY PERFORMANCE INDICATOR	2012-13 ACTUAL	2012-13 TARGET
Net result	\$58.7m	\$42.6m
Financial distributions	\$297.8m	\$33.0m
Whole of government property divestments	\$9.9m	-
Management of portfolio vacancies across NSW	0.5%	<1.4% average office vacancy rate

## *Planning & Strategy*

The Planning and Strategy unit identifies opportunities and develops strategies to improve the use and management of government properties. The unit provides advice to central government and government agencies on a wide range of property issues.

Following the release of the Property Asset Utilisation Taskforce report in November 2012, Planning and Strategy will also be assuming responsibility for the management of the Government Property Register and for reviewing the real property sections of agency TAM plans.

Major projects and achievements during the year included:

- Cabinet approval for the implementation of the Decade of Decentralisation Policy Initiative – CBD Office Accommodation
- Obtaining Cabinet approval for the relocation of Central Government from Governor Macquarie Tower to 52 Martin Place

- Coordinating full speaking valuations for all GPNSW owned properties
- Coordinating the preparation of the 2013-14 Asset Strategy for GPNSW
- Providing assistance to the Department of Premier and Cabinet and Service NSW on the selection of sites for new service centres
- Assisting a number of agencies in planning significant relocations and obtaining approval to release several major calls for lease proposals, including a new State Headquarters for the NSW State Emergency Service in the Illawarra
- Establishing a formal Client Relationship Management program with Principal Departments

The Planning and Strategy unit also tracks and identifies opportunities to improve the performance of the government's office portfolio, including through the annual office accommodation survey.

---

## *Portfolio Management Services*

---

As at 30 June 2013, the portfolio under management comprised approximately 1.4 million square metres of office space representing 837 sites and consisting of 1,237 Head Leases and 1,499 Tenant Leases. This resulted in gross rental revenue of \$479 million.

Throughout the reporting period GPNSW maintained a vacancy rate in the order of 0.5%, which is well below the government target of less than 1.5%.

Portfolio Management Services completed 303 leasing activities, including new leases, lease renewals, lease options, market rent reviews, market searches and make good.

Negotiation activity during the reporting period represented 323,956 square metres of office space, reflecting the expanded mandate for GPNSW following the publication of the PAUT report and Premiers Memorandum (PM 2012-20) as part of the Government's ongoing property reform initiative.

In 2012-13 Portfolio Management Services continued to consolidate the portfolio under management, vesting 42 assets, comprising 13 owned sites and 29 leases. Six government office buildings were also identified and marketed for sale as part of the property reform initiative.

They included the McKell Building and Bligh House in Sydney and the Wollongong, Newcastle, Penrith and Queanbeyan government office buildings.

GPNSW continues to devote considerable effort to improving client relations and client engagement in matters relating to property portfolio management. The GPNSW Helpdesk continues to be the primary contact point for client agencies for repairs and maintenance and general inquiries. During the reporting period the number of communications handled by the Helpdesk covering management reporting, maintenance requests, project coordination, quality assurance testing, WHS incidents and client follow-up was 38,628 compared to 47,498 the previous year. The reduction in the number of communications can be attributed to client agencies being encouraged and educated on how to use the self-service portal to access GPNSW Helpdesk services and management reports.

Portfolio Management has an in-house property service team which has a dual role: to provide quality assurance, best practice and process improvement tools for the outsourced service providers, and to provide an in-house estate management capability for special use properties.

During the period, reportable savings of \$574,000 were achieved through facility management services retendering as well as management of recurrent savings of \$475,000. Additional rental income of \$140,000 was achieved from non-productive estate properties. The properties services team also implemented a best practice WHS system in key major owned properties, and undertook a pilot program to assess WHS compliance at leased sites.

During the reporting period Portfolio Management Services retained both Five D and UGL (DTZ) as its outsourced service providers of property and facilities management services.

GPNSW regularly monitored the performance of its outsourced service providers against set KPI for work requests closed out, based on priority listing (low, medium, high, urgent) to ensure optimum service delivery to our client agencies. The performance of Five D and UGL (DTZ) ranged from 81% to 87%, depending upon the nature and technical level of the work requested, against a performance target of 90%.

Two major facilities management contracts were implemented in 2012-13; state wide pest control services for 130 owned sites and heating, ventilation and air-conditioning maintenance services at 71 sites, incorporating building maintenance control systems maintenance. Both contracts were open tendered with a high level of market interest delivering competitive rates. They were implemented to streamline contract and asset management processes and improve building comfort, compliance and service delivery across the portfolio.

## Building Refurbishment

The GPNSW Building Refurbishment Capital Program for 2012-13 provided for a financial commitment of \$23.7 million to improve the quality of government office buildings and amenity levels for client agencies. Capital expenditure during the reporting period was \$21.94 million.

Projects were distributed across 31 state electorates with major projects centred on government owned buildings in Bourke, Broken Hill, Cobar, Grafton, Inverell, Murwillumbah, Nyngan and Wollongong.

Regional centres accounted for 14 projects totalling \$12.5 million while projects in metropolitan Sydney included the McKell Building; Bligh House; the Blood Bank Building at Parramatta; National Trust Building at Millers Point, 35-39 Bridge St Sydney; and 453 Kent St Sydney, with capital expenditure of \$7.9 million.

Key programs where funding was allocated included \$1 million for Disability Access improvements and \$1.5 million for essential services compliance and for hazardous materials management compliance audits and risk assessments.

## Sustainability

All government owned buildings are subject to the NSW Government Sustainability Policy, which requires office buildings over 1,000 square metres to achieve and maintain 4.5 star energy and water ratings, where cost effective, under the National Australian Built Environment Rating System (NABERS).

A number of achievements had been made across the owned office portfolio during 2012-13, delivering substantial cost savings to client agencies:

- Average NABERS Energy rating of 4.27 stars across 26 government owned buildings totalling 119,425 square metres NLA
- Average NABERS Water rating of 3.90 stars across 27 government owned buildings totalling 138,980 square metres NLA
- The energy and water rating achieved by GPNSW is equal to or exceeds the performance of many of the larger private sector institutional office portfolios
- Three offices within regional NSW demonstrated market leading performance by achieving 6 star NABERS Water ratings, the highest rating achievable
- GPNSW has achieved substantial energy efficiency improvements across 50 of the government's largest owned buildings, as outlined in the following table:

**Total energy use comparison 2011-12 to 2012-13:**

<b>MEASURE</b>	<b>2011-12</b>	<b>2012-13</b>	<b>% change</b>
<b>Electricity</b>			
Total Electricity (kilowatt-hours)	32,541,935	31,374,642	-3.6%
Total Electricity (gigajoules)	117,151	112,949	-3.6%
Total Electricity Emissions (kg CO <sub>2-e</sub> )	26,234,388	25,155,484	-4.1%
(includes GreenPower purchases)			
<b>Natural Gas</b>			
Total Natural Gas (gigajoules)	22,071	21,509	-2.5%
Total Natural Gas Emissions (kg CO <sub>2-e</sub> )	1,132,970	1,104,137	-2.5%
<b>Total Energy</b>			
<b>Total Energy</b> (gigajoules)	<b>139,222</b>	<b>134,458</b>	<b>-3.4%</b>
<b>Total Emissions</b> (kg CO <sub>2-e</sub> )	<b>27,367,358</b>	<b>26,259,621</b>	<b>-4.0%</b>

GPNSW continues to negotiate the inclusion of the NSW Green Lease Schedules in accordance with the NSW Sustainability and National Green Lease policies. A significant milestone has been achieved with at least half of leased office floor space in buildings over 2,000 square metres NLA now being within buildings of 4 Stars NABERS Energy or better. NABERS ratings are generally unavailable for buildings less than 2,000 square metres NLA.

GPNSW successfully negotiated an \$800,000 lighting efficiency upgrade for

15,995 square metres of leased office space tenanted by NSW Government agencies at 2-10 Valentine Ave, Parramatta.

The project was the first in NSW to use Environmental Upgrade Agreement (EUA) funding and has been promoted as a model for upgrading existing building stock. The project has reduced operational costs, lowered greenhouse gas emissions by 550 tonnes per annum and lowered peak demand on electricity infrastructure. GPNSW will continue to seek innovative opportunities to improve the performance of leased space during 2013-14.

## *Divestments, Acquisitions and Developments*

### **Development Projects**

Development Projects is the major project delivery unit for GPNSW. It manages the delivery of major capital works projects for new and refurbished government owned properties, from funding approval through design to construction and handover. It also develops and implements plans for the development and/or disposal of surplus government properties.

Major projects undertaken during the 2012-13 financial year include:

Hunters Hill, Sydney – Completed preparation of an environmental assessment and remediation action plan for three government-owned properties in Nelson Parade, Hunters Hill. Lodged the planning application and are currently finalising a report responding to the submissions received during the public exhibition process.

Wilcannia Access Centre – Completed delivery of a new \$1.8 million Access Centre for Family and Community Services (FACS). This project will enable delivery of improved services to disadvantaged communities in this remote area.

Nyngan Access Centre – Completed a \$1.7 million project to refurbish and extend the Nyngan Government Office Building as an Access Centre for FACS. The project has increased utilisation and economic life of the building and enabled FACS to consolidate all its operations into a single location.

Albury Multi Agency Depot – Completed design and obtained development consent for a \$2.7 million depot in Albury to consolidate six separate agency facilities into the one location.

### **Divestment & Acquisitions**

During 2012-13, the Divestment, Acquisitions and Advisory Services units continued to develop and implement property solutions for client agencies to meet NSW government business objectives.

#### Divestment Services

In the largest divestment of the reporting period, the unit assisted the Office of Finance on the sale of properties under Tranche One of the Property Asset Utilisation Taskforce (PAUT) sales. The Tranche One sales comprised seven commercial office buildings (six of which were GPNSW owned) in the Sydney metropolitan area and regional NSW for \$405 million, at yields ranging from 8.30% to 11.30% and on leaseback terms of up to 15 years. Proceeds will provide a significant boost to housing infrastructure in NSW.

In accordance with the Government's policies on the disposal of surplus property assets, to achieve optimal outcome for agencies and the NSW Government, the unit managed the disposal of \$9.921 million (excl. GST) of surplus Government assets.

This included the sale of the former Gosford Horticultural Institute at Narara and the Albury Bowling Club.

## Highlights

1. 25 Research Rd, Narara (Gosford Horticultural Institute)
  - Sold for \$5m (excl. GST)
  - An example of implementing a value add opportunity as GPNSW managed the rezoning of this site to a mix of uses, predominately residential, from its previous Special Uses (Horticultural Institute) zone.
2. 480 Young St, Albury (Former Albury Bowling Club)
  - Former Railcorp site sold for \$1.7m (excl. GST).
  - GPNSW successfully unlocked this asset for disposal after being underutilised for many years.
3. Disposal of surplus assets across NSW for Department of Attorney General & Justice and Department of Environment & Climate Change
  - GPNSW managed the sale of numerous surplus assets, achieving prices above expectation.
  - Proceeds will provide reinvestment in agency service delivery programs

## Acquisition Services

This unit provides a range of statutory acquisitions services, which include vesting under the *Government Property NSW Act 2006* and acquisitions under the *Land Acquisition (Just Terms Compensation) Act 1991*, for GPNSW or for client purposes.

Four Orders under the *Government Property NSW Act 2006* were notified in the 2012-13 Financial Year to transfer a total of 37 land parcels and 33 leases from government agencies to GPNSW in accordance with Premier's Memoranda 2008-06 and 2012-20.

The property transfers were effected from the following agencies for the purposes of on-going management or to facilitate disposal.

- Department of Attorney General and Justice
- Department of Education and Communities
- Department of Family and Community Services
- Department of Finance and Services
- Ministry of Health
- Department of Trade and Investment, Regional Infrastructure & Services
- Department of Transport

GPNSW has worked with client agencies to acquire land and interests in land for infrastructure projects under *the Land Acquisition (Just Terms Compensation) Act 1991*. Working with the Department of Finance and Services (DFS) and Local Government, two land parcels and 58 interests in land were acquired for infrastructure projects (e.g. levy banks, dams, pipes, etc.) at Bundanoon, Broadwater, Conjola, Grafton, Maclean and Wentworth.

## Highlights

- Successfully completed acquisition of 'Burwood Wedge' at 353 Hunter Street, Newcastle for \$3.4m.
- The site will be developed into a new \$94 million Newcastle courthouse facility which will be the largest court development in regional NSW since colonial time.

GPNSW also manages the acquisition and holding of Certificates of Title under Memorandum of Understanding in accordance with Premier's Memorandum 2012-20, for agencies that do not have the legislative power to deal in real property transactions. Memoranda of Understanding are currently in place with NSW Police Force and the Department of Attorney-General and Justice. During the 2012-13 financial year, GPNSW assisted NSW Police in the acquisition of 20 properties across the state.

GPNSW has also been working with DFS on a project to rectify Certificates of Title owned by former Ministers for Public Works. The project has significant benefits across the whole of government, as it rectifies the historic government ownership of land.

Historically, land was acquired by the Minister for Public Works for much of the State's infrastructure.

Over 2000 Certificates of Title remain in the name of the former Minister for Public Works with the land administered by another government agency. This presents an unnecessary risk to DFS and the Minister for Finance and Services (as administrator of the Public Works Act 1912).

When complete the title rectification project will:

- Improve data in the Government Property Register
- Avoid unnecessary involvement by non-property based agencies
- Reduce confusion when government agencies or the public seek to identify or engage with owners or administrators of public land

#### Advisory Services

GPNSW also provides technical due diligence, planning and transactional advice to assist NSW Government agencies with their strategic property needs, which will ultimately deliver better outcomes to the State of NSW by assisting agencies to meet their service delivery needs.

The unit also continued strategic, planning and risk reviews on the GPNSW core portfolio and disposal portfolio in more than 90 Local Government Areas in NSW. These reviews have arisen due to ongoing reforms to the NSW Planning System. Once complete the reviews will assist agencies to assess their potential exposure to risks associated with the Standard Instrument Local Environmental Plan. This will enable GPNSW and agencies to better manage their property portfolios.

## External Impacts on Organisational Performance

Demand for office accommodation remained soft in both the Sydney CBD and suburban markets. At 30 June 2013, the Sydney CBD vacancy rate varied between 6.0% and 10.2%, depending on the grade.<sup>1</sup>

NSW Government accommodation is predominantly B- and C-Grade, which recorded an average vacancy rate of 8.3%. CBD results were driven by a combination of negative demand and increased supply.<sup>1</sup>

Similarly, the Property Council of Australia reported that the vacancy rate increased in the major suburban markets (North Sydney, Chatswood, Crows Nest/St Leonards, and North Ryde), ranging from 7.8 to 13.8%. The only exception was Parramatta, where a combination of a slight increase in demand and a withdrawal of office stock resulted in the vacancy rate falling to 7.5%. Notably, Parramatta continued to be a two-tier market, with A-Grade accommodation recording a vacancy rate of just 2.5%.<sup>2</sup>

GPNSW carefully monitors prevailing market conditions to maximise rental incentives and savings, and improve lease terms and conditions, to assist agencies in reducing overall cost and risk in their securing their office accommodation.

<sup>1</sup>PCA Office Market Report. <sup>2</sup>BIS Sydney Suburban Update 2013.

## Key Performance Indicators

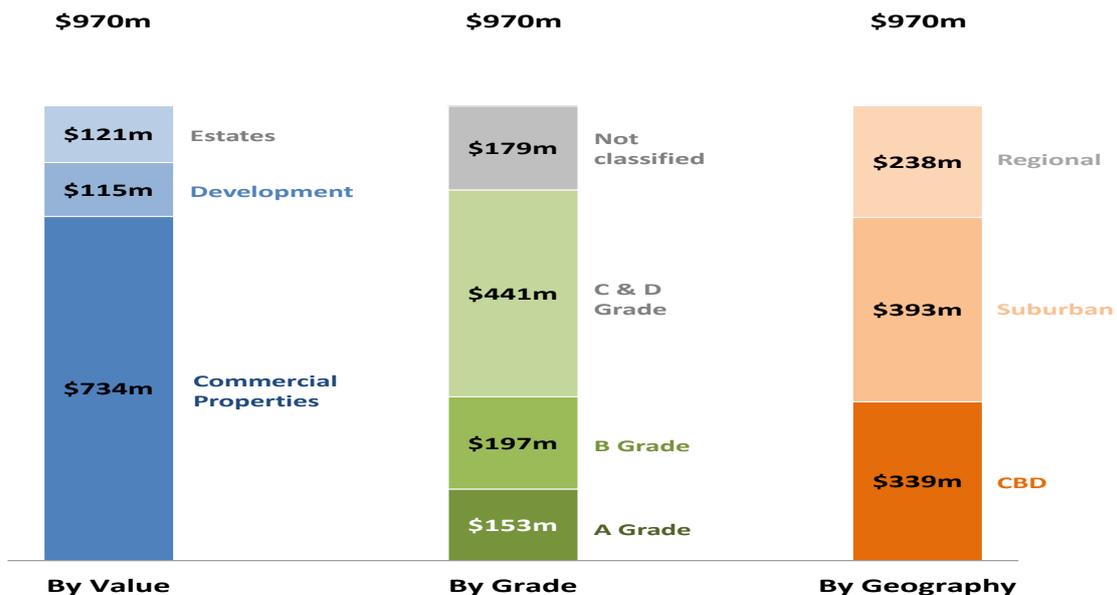
### Portfolio overview

GPNSW holds approximately \$970 million of assets, across commercial properties, leased buildings, value add properties and estate properties, generating approx. \$75 million of rent per annum.

GPNSW also manages around 1,200 tenancies, which account for annual rental outgoings of approximately \$355 million. The tables below provide an overview of the GPNSW portfolio.



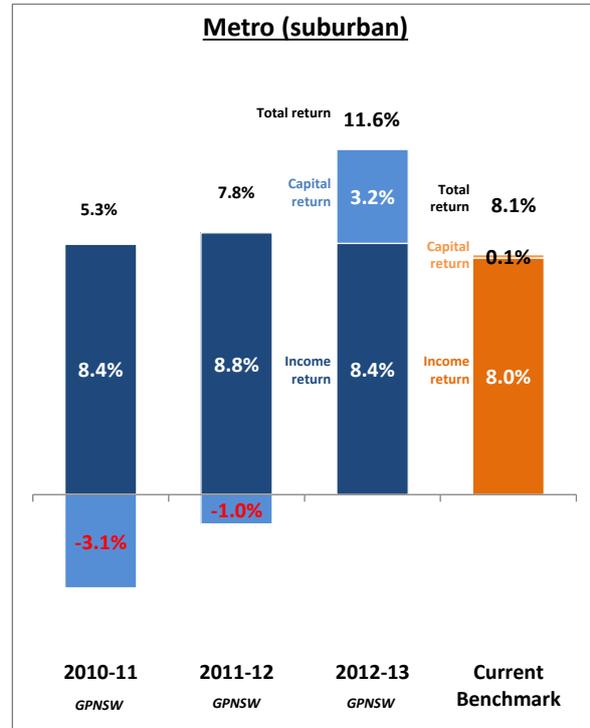
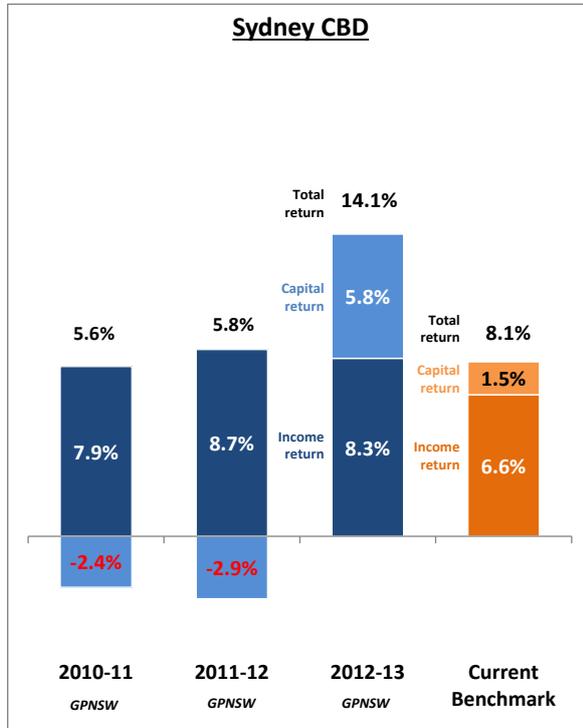
### By Value



## Total return

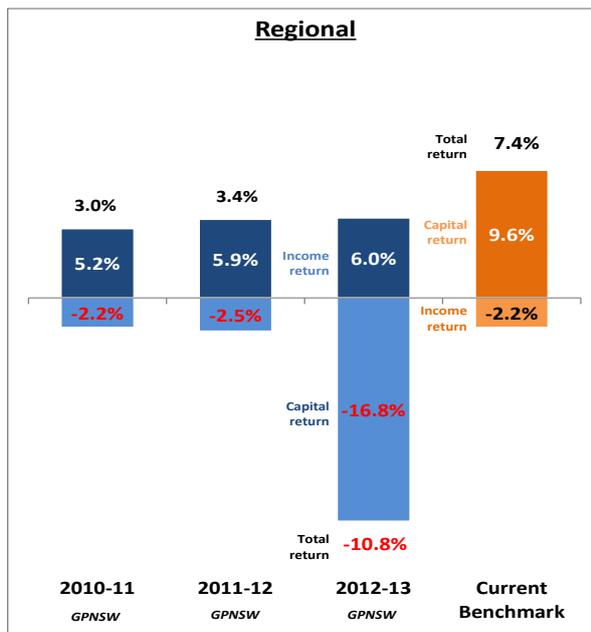
Capital returns in both the CBD and Metropolitan markets were boosted by the success of the PAUT Tranche 1 sales. Income return also stayed in line with the market benchmark, through improved rental returns and lower ongoing capital expenditure costs.

The total return on the GPNSW portfolio for 2012-13 was 14.1% in the CBD and 11.6% in the Metro. The tables below show the breakdown of those returns into capital and income returns.



Benchmark source: IPD

4



Benchmark source: IPD

Note: The table opposite shows a decrease in capital returns in regional NSW. GPNSW obtained full speaking valuation reports as at 30 June 2013 and the negative capital return reflects a lower market value for the portfolio. Comparable sales and rental evidence is scarce in regional office markets, which thus increases the volatility of fair value movements.

## Utilisation

Improving the utilisation of government owned and leased office accommodation is a key priority of GPNSW. Better utilisation of generic office space assists agencies in reducing costs allowing them to focus on core service delivery.

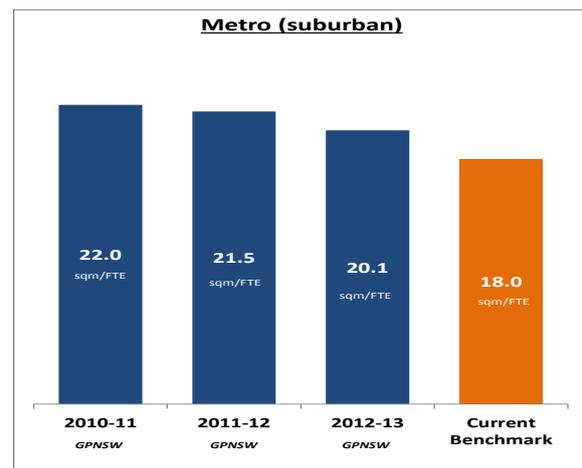
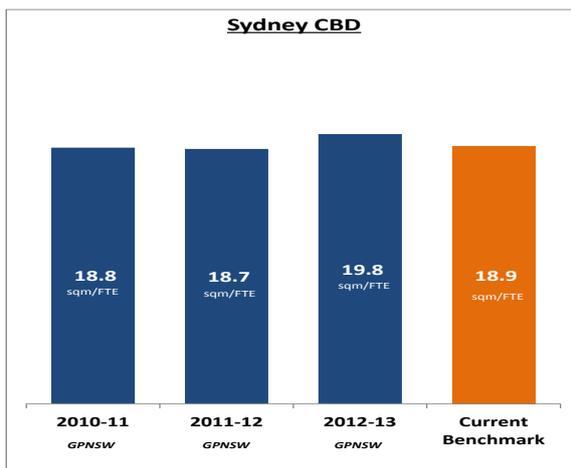
While GPNSW uses accepted industry standards in calculating results, a number of factors should also be considered in relation to the final figures:

- overall figures in the charts below include operational space, however the government target for new fit outs in the CBD and metropolitan areas of 13m<sup>2</sup> excludes operational space
- temporary vacancies due to lease expiries, building refurbishments, agency downsizing etc., can affect year-on-year figures
- they are reliant on the accuracy of agency staff numbers

**Note:** GPNSW leased buildings continue to perform better than the benchmark, coming in below the market benchmarks in both the CBD and metropolitan markets. In particular, the larger tenancies perform best, with government tenancies over 10,000m<sup>2</sup> achieving a utilisation rate of 15.5m<sup>2</sup> per full-time employee.

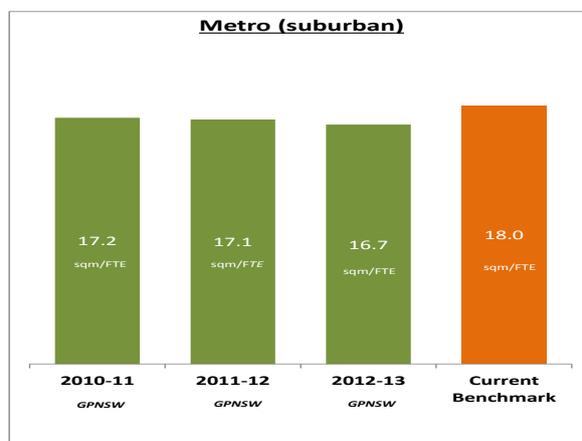
### Utilisation: GPNSW commercial portfolio

Commercial properties



Benchmark source: BIS Shrapnel

Leased buildings



Benchmark source: BIS Shrapnel

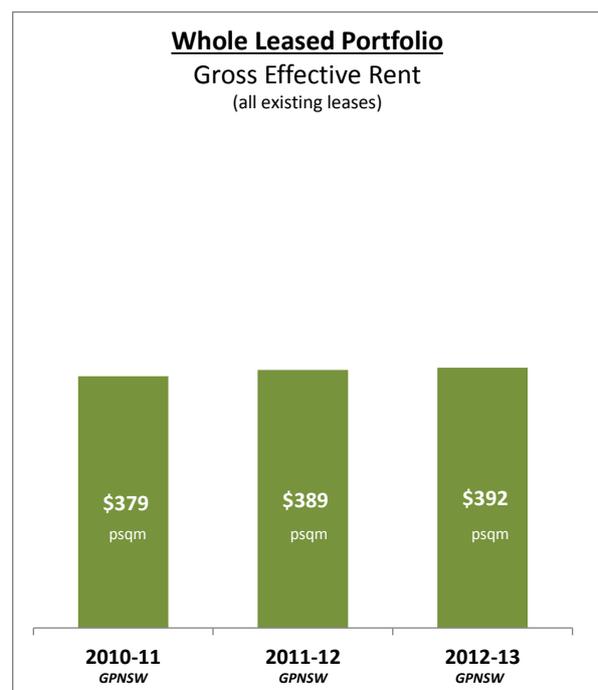
## Rentals

The tables below illustrate the average market rent for the GPNSW leased portfolio for the CBD, Metropolitan and regional market and show that GPNSW has been successful in minimising any rent increases over the past three years.

The compound increase in average rents was c.1.1% p.a., which was significantly lower than the increase in the Consumer Price Index.

## Rent

Leased buildings



## Financial Performance

<b>FINANCIAL PERFORMANCE SUMMARY</b>	<b>2012-13 ACTUAL</b>	<b>2012-13 BUDGET</b>	<b>VARIANCE TO BUDGET</b>	<b>2013-14 BUDGET</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>OPERATING RESULT</b>				
Expenses	424,114	437,260	13,146	488,499
Revenues	467,724	479,561	(11,837)	503,096
Net Gain on Asset Disposals/Valuations	15,064	279	14,785	18,083
<b>NET OPERATING RESULT - SURPLUS/(DEFICIT)</b>	<b>58,674</b>	<b>42,580</b>	<b>16,094</b>	<b>32,680</b>
<b>FINANCIAL DISTRIBUTIONS</b>				
Normal Distribution	28,000	33,000	(5,000)	8,000
Capital Repatriation	269,810	-	269,810	50,950
<b>TOTAL FINANCIAL DISTRIBUTIONS</b>	<b>297,810</b>	<b>33,000</b>	<b>264,810</b>	<b>58,950</b>
<b>FINANCIAL POSITION</b>				
Total Assets	1,055,892	1,204,232	(148,340)	986,353
Total Liabilities	338,742	241,207	(97,535)	261,947
<b>NET ASSETS/EQUITY</b>	<b>717,150</b>	<b>963,025</b>	<b>(245,875)</b>	<b>724,406</b>
<b>CAPITAL PROGRAM</b>				
Property Refurbishment & Other	23,007	27,012	4,005	21,693
<b>TOTAL CAPITAL PROGRAM</b>	<b>23,007</b>	<b>27,012</b>	<b>4,005</b>	<b>21,693</b>

In 2012-13, Government Property NSW (GPNSW) recorded an operating surplus of \$58.7 million against a budgeted surplus of \$42.6 million. A \$16.1 million favourable variance on budget was mainly due to a \$28.9 million net gain increase on disposal of Property, Plant and Equipment partly offset by an increase of \$14.2 million in Other Losses. An analysis of GPNSW's operating result, including a summary of the 2013-14 budget, is further outlined in the following sections.

Financial distributions to Government comprised \$28.0 million from surplus income on rental operations and \$269.8 million from net asset sale proceeds. Total distributions exceeded budget by \$264.8 million primarily due to \$269.8 million in non-budgeted asset sales offset by a \$5.0 million reduction in normal distribution returns. The asset sales mostly represent the first tranche of the Property Asset Utilisation Taskforce (PAUT) recommended divestments comprising of six previously owned office accommodation properties which settled in June 2013 (PAUT Tranche 1).

GPNSW retained a healthy balance sheet position at 30 June 2013 with the ratio of total assets to total liabilities standing at 3.1:1 (3.6:1 at 30 June 2012), the ratio of current assets to current liabilities at 1.6:1 (1.9:1 at 30 June 2012) and net assets totalling \$717.2 million (\$947.3 million at 30 June 2012). Net assets comprised total assets of \$1,055.9 million (including \$654.6 million in property assets) less total liabilities of \$338.7 million. The decrease in net assets on the budgeted amount was largely due to the capital repatriation of \$269.8 from the net proceeds of property sales in 2012-13.

Capital program projects in 2012-13 comprised of works on the renewal and upgrading of owned buildings, works of a regulatory compliance nature, and other minor works on corporate systems and equipment purchases. There were no property acquisitions, constructions or major developments undertaken during the financial year. Total capital expenditure of \$23.0 million for the 2012-13 financial year was \$4.0 million below the budget. Although the 2012-13 program was fully committed, the underspend resulted mainly from project commencement delays on newly vested properties.

## Growth in Operating Revenues and Expenses

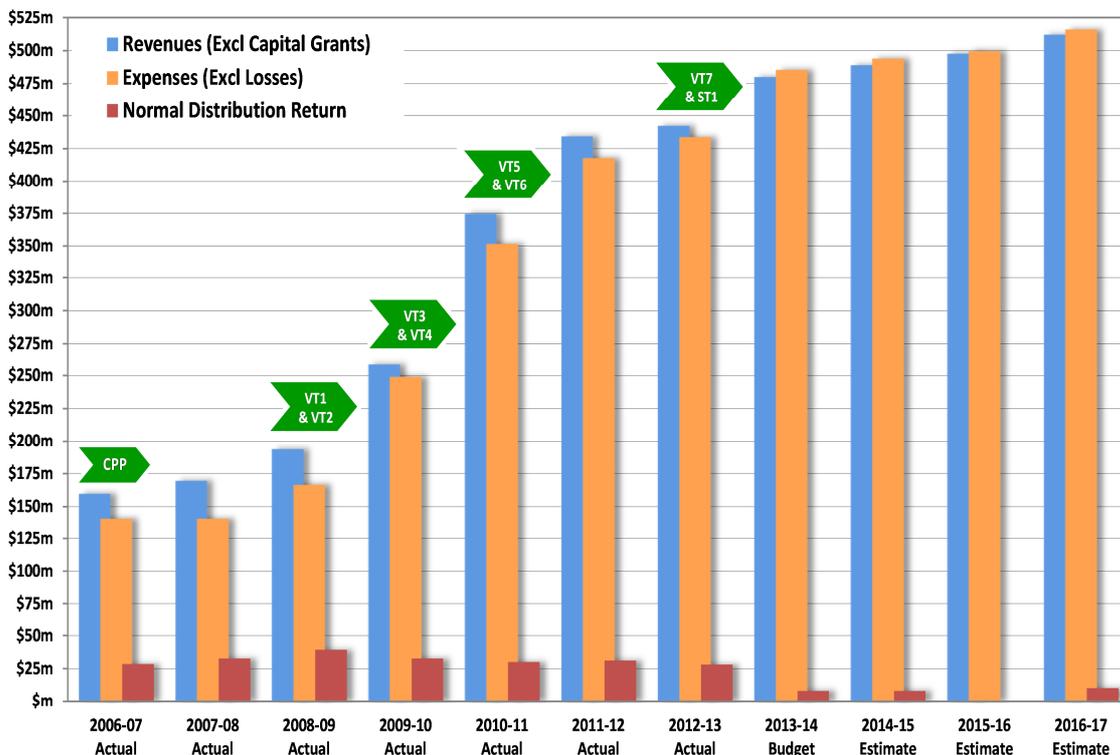
Since its inception in September 2006, GPNSW's core property management operation has experienced rapid and substantial growth in its financial operations. From the 66 owned properties (Lots) and 49 leases originally vested from the former Crown Property Portfolio in July 2007, GPNSW's total office accommodation portfolio at 30 June 2013 comprised of more than 230 owned properties (Lots) and 935 active leases throughout regional NSW and the Sydney metropolitan area.

Operating revenues (excluding capital grants) have increased from \$160.0 million in 2006-07 to \$439.1 million in 2012-13 and are projected to increase to \$512.1

million in 2016-17. Similarly, operating expenses have increased from \$141.1 million in 2006-07 to \$433.0 million in 2012-13 and are expected to increase to \$516.3 million in 2016-17.

The following chart illustrates the actual growth in revenues and expenses to 30 June 2013 and the projected growth from 2013-14 to 2016-17 - based on the current property portfolio. The impact of the June 2013 PAUT Tranche 1 sale and leaseback transaction is clearly evidenced in the projected growth estimates from 2013-14 onwards through the higher level of operating expenses over revenues and the lower levels surplus cash available for normal distribution returns to Government.

Growth in Operating Revenues and Expenses - 2006-07 to 2016-17



Projections of revenues and expenses for 2013-14 and beyond do not factor in any additional owned or leased property vesting or owned property sales. Although GPNSW will undertake further vesting and sales transactions in 2013-14 and beyond, the financial impact of this could not be quantified at the time of budget and forward estimate development.

### Vesting Tranches undertaken to 30 June 2013

CPP: 66 Lots and 49 Leases – managed from 1 July 2007

Tranche 1 & 2: 116 Lots and 39 Leases – vested during 2008-09

Tranche 3 & 4: 29 Lots and 513 Leases – vested during 2009-10

Tranche 5 & 6: 23 Lots and 341 Leases – vested during 2010-11

Tranche 7: 15 Lots and 31 Leases – vested during 2012-13

PAUT Sale Tranches undertaken to 30 June 2013:

Tranche 1: 6 Major Office Buildings – by sale and leaseback from 11 June 2013

### 2012-13 Operating Result

OPERATING RESULT	2012-13 ACTUAL \$'000	2012-13 BUDGET \$'000	VARIANCE TO BUDGET \$'000	2013-14 BUDGET \$'000
<b>EXPENSES</b>				
Operating Expenses				
Personnel Services Expense	13,618	19,262	5,644	19,555
Other Operating Expenses				
- Property Head Lease Expense	347,562	345,489	(2,073)	411,421
- Other Property Related Expenses	32,657	32,774	117	24,572
- Other	3,833	3,973	140	4,730
Grants and Subsidies	625	-	(625)	-
Depreciation and Amortisation	28,628	28,908	280	22,243
Finance Costs	6,111	6,854	743	5,978
Other Expenses	(8,920)	-	8,920	-
<b>TOTAL EXPENSES</b>	<b>424,114</b>	<b>437,260</b>	<b>13,146</b>	<b>488,499</b>
<b>REVENUES</b>				
Sale of Goods and Services				
Property Lease Income	427,467	432,826	(5,359)	465,314
Fees for Services	1,545	4,978	(3,433)	2,342
Investment Revenue	9,641	8,792	849	8,081
Grants and Contributions				
Recurrent	5,503	5,503	-	5,216
Capital	23,118	27,012	(3,894)	21,693
Other Revenue	450	450	-	450
<b>TOTAL REVENUES</b>	<b>467,724</b>	<b>479,561</b>	<b>(11,837)</b>	<b>503,096</b>
Gains/(Losses) on Disposal of Assets	29,524	579	28,945	18,083
Other Gains/(Losses)	(14,460)	(300)	(14,160)	-
<b>NET OPERATING RESULT - SURPLUS/(DEFICIT)</b>	<b>58,674</b>	<b>42,580</b>	<b>16,094</b>	<b>32,680</b>

In 2012-13, GPNSW recorded an operating surplus of \$58.7 million against a budgeted surplus of \$42.6 million. A \$16.1 million favourable variance on budget was mainly due to:

- a \$28.9 million improvement in net asset disposal gains, which resulted mainly from the first tranche of the Property Asset Utilisation Taskforce

(PAUT) recommended divestment of six owned office accommodation properties (PAUT Tranche 1) which settled in June 2013; offset in part by an increase of \$14.2 million in Other Losses mainly due to net revaluation losses on Property, Plant and Equipment

Other net favourable variances of \$1.3 million resulted from an improvement of \$13.1 million in Expenses, offset in part by a reduction in budgeted Revenue of \$11.8 million.

- Total Expenses of \$424.1 million were \$13.1 million lower than budget. This decrease resulted mainly from:
  - a \$5.6 million reduction in Personnel Services Expense due to lower than budgeted staffing levels throughout the year and a \$4.2 million reduction in GPNSW's defined benefits superannuation liability (including net actuarial gains of \$3.7 million) in respect of personnel who are members of defined benefits superannuation plans;
  - a net decrease of \$8.9 million in the remediation liability on Newcastle port lands previously transferred to the Newcastle Port Corporation (NPC). Prior to 30 June 2013, GPNSW retained the liability in its books due to an indemnity provided by the Treasurer to the NPC as part of the original transfer arrangement. As GPNSW has no underlying asset, any decrease in the remediation provision relating to these lands is recognised directly in the Net Result; offset in part by
  - an increase in Property Head Lease Expenses of \$2.1 million due to rental adjustments and new leases taken on throughout the year, including the lease back of six previously owned office accommodation properties (PAUT Tranche 1) which commenced on 11 June 2013. These increases were largely recovered from sub-letting to other government agency tenants.
- Total Revenue of \$467.7 million was \$11.8 million lower than budget. The decrease is mainly attributed to:
  - a decrease in Property Lease Income of \$5.4 million which resulted mainly from the deferral of scheduled office accommodation
  - property vestings and a Government strategic decision to maintain vacant space at 52 Martin Place for future central agency accommodation requirements;
  - a reduction in Fee for Service revenue of \$3.4 million due mainly to lower than budgeted staffing levels and the expected take-on of centralised Office Fit-Out services and other office service functions which were not implemented; and
  - a \$3.9 million reduction in the expected capital contribution receipts caused mainly by the deferral of a number of programmed capital works projects into 2013-14. Government contribution funding for GPNSW's capital program is received subsequent to the completion of works on individual projects.

### **2013-14 Operating Budget Overview**

The 2013-14 budget numbers shown in the above tables reflect GPNSW's original budget as published in the State Government's 2013-14 Budget Papers. GPNSW's 2013-14 budget projects an operating surplus of \$32.7 million.

Total expenses of \$488.5 million are budgeted in 2013-14. The majority of these expenses relate to government agency occupied office accommodation properties and include head lease rental payments of \$411.4 million and other property related expenses (including outgoings, utilities, maintenance, finance costs and depreciation) totalling \$24.6 million. The significant increase in property head lease expense over the 2012-13 budget is directly associated with the additional leased property vesting and leaseback of six sold PAUT Tranche 1 properties which occurred in late 2012-13.

Budgeted total revenue of \$503.1 million includes \$465.3 million in property lease income received from GPNSW's portfolio of owned and leased office accommodation properties. The increase in property lease income over the 2012-13 budgeted amount is mainly due to the vesting of additional owned and leased properties in 2012-13.

Total revenue in 2013-14 will also include \$21.7 million in capital contributions received from the State Government which will largely be used to fund GPNSW's government office building

Surplus cash generated from GPNSW's operating activities is returned to the State Government in the form of a normal financial distribution. Capital repatriations are additional one-off payments which represent capital repayments of the State Government's equity in GPNSW.

The 2013-14 budget has targeted normal financial distribution and capital repatriation of \$8.0 million and \$51.0 million, respectively.

## **2012-13 Independent Audit Outcome**

The above financial performance and budget information is unaudited financial information. Audited financial information, including the primary financial statements and notes to the financial statements of GPNSW is presented within the Audited Financial Information section of this report.

The independent audit of GPNSW's financial statements was completed by the Audit Office of NSW on 18 September 2013. The Audit Office issued an unmodified Independent Auditor's Report on that date.

No significant matters were raised by the Audit Office within the Statutory Audit Report.

refurbishment program. A further \$5.2 million in recurrent contributions will also be received from the Government to fund whole-of-government property related services provided by GPNSW to other government agencies.

Further vesting is earmarked to occur during 2013-14 however the financial impact of this on GPNSW's total revenues and expenses was not available at the time of budget development.



## Financial Statements

### For the Year Ended 30 June 2013

#### Statement by the Chief Executive Officer

Pursuant to Section 41C of the *Public Finance and Audit Act 1983* and in my capacity as Chief Executive Officer of Government Property NSW (formerly State Property Authority), I state that in my opinion:

- (a) The accompanying financial statements exhibit a true and fair view of the financial position of Government Property NSW (formerly State Property Authority) as at 30 June 2013 and the transactions for the year then ended.
- (b) The financial statements comply with applicable Australian Accounting Standards (which include Australian Accounting Interpretations), the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2010*, and the Treasurer's Directions.

Further, I am not aware of any circumstances that would make any details in the financial statements misleading or inaccurate.

**Brett Newman**  
**Chief Executive Officer**  
**Government Property NSW**

SYDNEY  
18 September 2013



## INDEPENDENT AUDITOR'S REPORT

### Government Property NSW (formerly State Property Authority)

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of Government Property NSW (formerly State Property Authority) (Government Property), which comprise the statement of financial position as at 30 June 2013, 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 Government Property as at 30 June 2013, 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.

### The Chief Executive Officer's Responsibility for the Financial Statements

The Chief Executive Officer is responsible for the preparation of the financial statements that give a true and fair view in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Chief Executive Officer determines is necessary to enable the preparation of 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 Government Property's preparation of the financial statements that give a true and fair view in order to design audit procedures appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Government Property's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Chief Executive Officer, 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 Government Property
- 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 which may have been hyperlinked to/from the financial statements
- about the assumptions used in formulating the budget figures disclosed in the financial statements

## **Independence**

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other 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

18 September 2013  
SYDNEY



# **Government Property NSW (Formerly State Property Authority)**

## **Financial Statements**

**For the Year Ended 30 June 2013**

**Government Property NSW (Formerly State Property Authority)**  
**Start of Audited Financial Statements**  
**Statement of Comprehensive Income**  
**For the Year Ended 30 June 2013**

	Note	Actual 2013 \$'000	Budget 2013 \$'000	Actual 2012 \$'000
<b>Expenses Excluding Losses</b>				
Operating Expenses				
Personnel Services Expense	2(a)	13,618	19,262	27,509
Other Operating Expenses	2(b)	384,052	382,236	369,432
Depreciation and Amortisation	2(c)	28,628	28,908	27,990
Grants and Subsidies	2(d)	625	-	-
Finance Costs	2(e)	6,111	6,854	8,626
Other Expenses	2(f)	(8,920)	-	20,667
<b>TOTAL EXPENSES EXCLUDING LOSSES</b>		<b>424,114</b>	<b>437,260</b>	<b>454,224</b>
<b>Revenue</b>				
Sale of Goods and Services	3(a)	429,012	437,804	421,183
Investment Revenue	3(b)	9,641	8,792	10,893
Grants and Contributions	3(c)	28,621	32,515	26,539
Other Revenue	3(d)	450	450	450
<b>Total Revenue</b>		<b>467,724</b>	<b>479,561</b>	<b>459,065</b>
<b>Gain/(Loss) on Disposal</b>	4	29,524	579	327
<b>Other Gains/(Losses)</b>	5	(14,460)	(300)	4,954
<b>Net Result</b>		<b>58,674</b>	<b>42,580</b>	<b>10,122</b>
<b>Other Comprehensive Income</b>				
Items that will not be Reclassified to Net Result:				
Net Increase/(Decrease) in Property, Plant and Equipment Revaluation Surplus	8(b)	(11,795)	-	8,021
Net Increase/(Decrease) in the Revaluation Surplus Arising from a Change in the Restoration Liability	13(b)	(2,047)	-	(2,802)
<b>Total Other Comprehensive Income</b>		<b>(13,842)</b>	<b>-</b>	<b>5,219</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>44,832</b>	<b>42,580</b>	<b>15,341</b>

[The accompanying notes form part of these financial statements]

**Government Property NSW (Formerly State Property Authority)**

**Statement of Changes in Equity**

For the Year Ended 30 June 2013

	Note	2013			2012		
		Accumulated	Asset	Total	Accumulated	Asset	Total
		Funds	Revaluation	Equity	Funds	Revaluation	Equity
		2013	Reserve	2013	2012	Reserve	2012
		\$'000	\$'000	\$'000	\$'000	\$'000	
<b>Balance at 1 July</b>		927,279	20,053	<b>947,332</b>	938,028	14,811	<b>952,839</b>
<b>Net Result for the Year</b>		58,674	-	<b>58,674</b>	10,122	-	<b>10,122</b>
<b>Other Comprehensive Income:</b>							
Net Increase/(Decrease) in Property, Plant and Equipment Revaluation Surplus	8(b)	-	(11,795)	<b>(11,795)</b>	-	8,021	<b>8,021</b>
Net Increase/(Decrease) in the Revaluation Surplus Arising from a Change in the Restoration Liability	13(b)	-	(2,047)	<b>(2,047)</b>	-	(2,802)	<b>(2,802)</b>
<b>Total Other Comprehensive Income</b>		-	(13,842)	<b>(13,842)</b>	-	5,219	<b>5,219</b>
<b>Total Comprehensive Income for the Year</b>		58,674	(13,842)	<b>44,832</b>	10,122	5,219	<b>15,341</b>
<b>Transactions with Owners as Owners</b>							
Financial Distributions	15(a)	(297,810)	-	<b>(297,810)</b>	(36,848)	-	<b>(36,848)</b>
Net Increase/(Decrease) in Net Assets from Equity Transfers	15(c)	22,796	-	<b>22,796</b>	16,000	-	<b>16,000</b>
<b>Total Transactions with Owners as Owners</b>		(275,014)	-	<b>(275,014)</b>	(20,848)	-	<b>(20,848)</b>
<b>Transfers between Equity Components</b>							
Transfer of Asset Revaluation Reserve on Derecognised Assets		-	-	-	(23)	23	-
<b>Total Transfers between Equity Components</b>		-	-	-	(23)	23	-
<b>Balance at 30 June</b>		710,939	6,211	<b>717,150</b>	927,279	20,053	<b>947,332</b>

[The accompanying notes form part of these financial statements]

**Government Property NSW (Formerly State Property Authority)**

**Statement of Financial Position**

As At 30 June 2013

	Note	<b>Actual 2013 \$'000</b>	<b>Budget 2013 \$'000</b>	<b>Actual 2012 \$'000</b>
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and Cash Equivalents	6(a)	129,141	60,872	122,146
Receivables	7	47,513	49,124	49,857
Non-Current Assets Held For Sale	9	19,900	-	-
<b>Total Current Assets</b>		<b>196,554</b>	<b>109,996</b>	<b>172,003</b>
<b>Non-Current Assets</b>				
Receivables	7	223,027	192,474	213,447
Property, Plant and Equipment	8	634,714	900,599	921,188
Intangible Assets	10	1,597	1,163	1,224
<b>Total Non-Current Assets</b>		<b>859,338</b>	<b>1,094,236</b>	<b>1,135,859</b>
<b>TOTAL ASSETS</b>		<b>1,055,892</b>	<b>1,204,232</b>	<b>1,307,862</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Payables	11	65,620	5,837	19,008
Borrowings	12	2,912	2,912	2,698
Provisions	13	46,739	70,626	61,254
Other Liabilities	14	4,847	4,289	5,289
<b>Total Current Liabilities</b>		<b>120,118</b>	<b>83,664</b>	<b>88,249</b>
<b>Non-Current Liabilities</b>				
Borrowings	12	40,004	40,177	42,916
Provisions	13	167,642	99,008	212,995
Other Liabilities	14	10,978	18,358	16,370
<b>Total Non-Current Liabilities</b>		<b>218,624</b>	<b>157,543</b>	<b>272,281</b>
<b>TOTAL LIABILITIES</b>		<b>338,742</b>	<b>241,207</b>	<b>360,530</b>
<b>NET ASSETS</b>		<b>717,150</b>	<b>963,025</b>	<b>947,332</b>
<b>EQUITY</b>				
Accumulated Funds		710,939	950,244	927,279
Asset Revaluation Reserve	15(b)	6,211	12,781	20,053
<b>TOTAL EQUITY</b>		<b>717,150</b>	<b>963,025</b>	<b>947,332</b>

[The accompanying notes form part of these financial statements]

**Government Property NSW (Formerly State Property Authority)**

**Statement of Cash Flows**

For the Year Ended 30 June 2013

	Note	<b>Actual 2013 \$'000</b>	<b>Budget 2013 \$'000</b>	<b>Actual 2012 \$'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Payments</b>				
Personnel Services		(16,486)	(19,262)	(17,017)
Finance Costs		(3,306)	(3,305)	(3,504)
Other		(443,702)	(423,906)	(397,322)
<b>Total Payments</b>		<b>(463,494)</b>	<b>(446,473)</b>	<b>(417,843)</b>
<b>Receipts</b>				
Sale of Goods and Services		487,550	434,704	427,521
Interest Received		2,741	7,054	4,219
Grants and Contributions		29,500	32,515	26,539
<b>Total Receipts</b>		<b>519,791</b>	<b>474,273</b>	<b>458,279</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	6(b)	<b>56,297</b>	<b>27,800</b>	<b>40,436</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchases of Property, Plant and Equipment		(21,368)	(27,847)	(18,639)
Proceeds from Sale of Property, Plant and Equipment		269,876	-	6,059
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>248,508</b>	<b>(27,847)</b>	<b>(12,580)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Financial Distributions to the State Government	1(j)	(297,810)	(33,000)	(36,848)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>(297,810)</b>	<b>(33,000)</b>	<b>(36,848)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>6,995</b>	<b>(33,047)</b>	<b>(8,992)</b>
Opening Cash and Cash Equivalents		122,146	93,919	131,138
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	6(a)	<b>129,141</b>	<b>60,872</b>	<b>122,146</b>

[The accompanying notes form part of these financial statements]

# Government Property NSW (Formerly State Property Authority)

## Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2013

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Reporting Entity

Government Property NSW (formerly State Property Authority) was established under the *Government Property NSW Act 2006* (formerly the *State Property Authority Act 2006*). An amendment to the *State Property Authority Act 2006* on 12 December 2012 changed the name of the Act to the *Government Property NSW Act 2006* (the Act) and also changed the name of the State Property Authority to Government Property NSW (GPNSW). Its principal business address is Bligh House, 4-6 Bligh Street, Sydney NSW 2000. GPNSW is a not-for-profit entity as profit is not its principal objective and it has no cash generating units. GPNSW is consolidated as part of the NSW Total State Sector Accounts.

Under the Act, GPNSW is unable to employ staff. However, to enable it to exercise its functions, GPNSW can obtain personnel services from Government agencies who are able to engage staff under Chapter 1A of the *Public Sector Employment and Management Act 2002*. During 2012-13, personnel services were provided by the Department of Finance and Services (DFS). The DFS is a separate reporting entity and does not control GPNSW for financial reporting purposes.

These financial statements have been authorised for issue by GPNSW's Chief Executive Officer on 18 September 2013.

#### (b) Basis of Preparation

GPNSW's financial statements are general-purpose financial statements which have been prepared on a "going concern" basis and in accordance with:

- (i) applicable Australian Accounting Standards (which include Australian Accounting Interpretations);
- (ii) the requirements of the *Public Finance and Audit Act 1983* and Regulation; and
- (iii) the Financial Reporting Directions published in the Financial Reporting Code for NSW General Government Sector Entities or issued by the Treasurer.

The financial statements have been prepared on an historical cost basis, except for property, plant and equipment assets which have been measured at fair value, and non-current assets held for sale which have been measured at the lower of the carrying amount or fair value less costs to sell.

The accrual basis of accounting has been adopted in the preparation of the financial statements, except for cash flow information.

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

All amounts are rounded to the nearest one thousand dollars (\$'000) and are expressed in Australian currency.

#### (c) Statement of Compliance

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

#### (d) Insurance

GPNSW's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self-insurance for Government entities. The expense (premium) is determined by the Fund Manager based on past claim experience.

Properties owned by GPNSW are insured for their replacement value. Management ensures that all insurance covers are current and adequate.

## Government Property NSW (Formerly State Property Authority)

### Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2013

#### (e) Accounting for the Goods and Services Tax (GST)

Income, expenses and assets are recognised net of the amount of GST, except that:

- (i) the amount of GST incurred by GPNSW as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense;
- (ii) receivables and payables are stated with the amount of GST included; and
- (iii) Commitment amounts disclosed in the financial statements include the amount of GST recoverable from, or payable to, the Australian Taxation Office.

Cash flows are included in the Statement of Cash Flows on a gross basis. However, the GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

#### (f) Income Recognition

Income is measured at the fair value of the consideration or contribution received or receivable. Additional comments regarding the accounting policies for the recognition of income are discussed below.

##### (i) Operating Lease Income

Operating lease income is recognised in accordance with AASB 117 "Leases". Lease income from operating leases where GPNSW is the lessor is recognised as income in the Statement of Comprehensive Income on a straight-line basis over the lease term. Contingent rental income is recognised as income in the period in which it is earned.

##### (ii) Finance Lease Income

Finance lease income is recognised in accordance with AASB 117 "Leases". Lease income from finance leases where GPNSW is the lessor is recognised as income in the Statement of Comprehensive Income over the lease period so as to allocate finance income over the lease term on a systematic and rational basis. This income allocation is based on a pattern reflecting a constant period return on GPNSW's net investment in the lease.

The estimated unguaranteed residual value used in computing GPNSW's gross investment in each lease is reviewed regularly. If there has been a reduction in the estimated unguaranteed residual value, the income allocation over the lease term is revised and any reduction in respect of amounts accrued is recognised immediately. Contingent rent from finance leases as lessor is recognised as income in the period in which it is earned.

##### (iii) Fees for Services Rendered

Revenue from the rendering of services is recognised when the service is provided or by reference to the stage of completion (based on labour hours incurred to date).

##### (iv) Interest Income

Revenue is recognised using the effective interest method as set out in AASB 139 "Financial Instruments: Recognition and Measurement".

##### (v) Grants and Contributions

Grants and contributions are recognised as income when GPNSW obtains control over the assets comprising the grant or contribution, it is probable that the economic benefits will flow to GPNSW, and the amount of the grant or contribution can be measured reliably. Control is normally obtained upon the receipt of cash.

##### (vi) Emerging Asset Revenue

In accordance with TPP 06-08 "Accounting for Privately Financed Projects", the Opera House Car Park is an emerging asset which GPNSW has a right to receive in 2043 under a privately financed infrastructure arrangement. The right is being recognised as revenue and added to the asset value over the term of the car park concession. Any periodic revaluations are accounted for in accordance with AASB 116 "Property, Plant and Equipment".

## Government Property NSW (Formerly State Property Authority)

### Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2013

#### (g) Assets

##### (i) Acquisitions of Assets

Acquisition of asset is recognised when the risks and rewards of the asset have passed to the buyer. On property asset, this usually coincides with when the legal title passes to the buyer, which is upon settlement of a contract.

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by GPNSW. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other Australian Accounting Standards.

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition (see also assets transferred as a result of an equity transfer (Note 1(k))).

Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

Where payment for an asset is deferred beyond normal credit terms, its cost is the cash price equivalent; i.e. deferred payment amount is effectively discounted at an asset-specific rate.

##### (ii) Capitalisation Thresholds

Plant and equipment, and intangible assets costing \$5,000 and above individually (or forming part of a network costing more than \$5,000) are capitalised.

Property expenditure that gives rise to an effective and material increase in the future economic benefits of the property to GPNSW is capitalised. The general threshold for property expenditure capitalisation is \$30,000.

##### (iii) Revaluation of Property, Plant and Equipment

Physical non-current assets are valued in accordance with the 'Valuation of Physical Non-Current Assets at Fair Value' Policy and Guidelines Paper (TPP 07-1) (as amended by NSWTC 12/05 and NSWTC 10/07). 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 best indicator of which is depreciated replacement cost.

GPNSW revalues each class of property, plant and equipment on annual basis to ensure that the carrying amount of each asset in the class does not differ materially from its fair value at reporting date.

Non-specialised assets with short useful lives are measured at depreciated historical cost, as a surrogate for fair value.

When revaluing 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 revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in the net result, the increment is recognised immediately as revenue in the net result.

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

As a not-for-profit entity, revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.

Where an asset that has previously been revalued is disposed of, any balance remaining in the revaluation reserve in respect of that asset is transferred to accumulated funds.

## Government Property NSW (Formerly State Property Authority)

### Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2013

#### (iv) Impairment of Property, Plant and Equipment

As a not-for-profit entity with no cash generating units, AASB 136 Impairment of Assets effectively is not applicable. AASB 136 modifies the recoverable amount test to the higher of fair value less costs to sell and depreciated replacement cost. This means that, where an asset is already measured at fair value, impairment can only arise if selling costs are material. Selling costs for GPNSW are regarded as immaterial.

#### (v) Depreciation of Property, Plant and Equipment

Depreciation is provided for on a straight-line basis for all depreciable non-current assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to GPNSW. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items.

GPNSW's buildings are separately componentised into the structure, air conditioning units and lifts where it can be determined that these components:

- (a) physically exist; and
- (b) are material enough to justify separate tracking; and
- (c) are capable of having a reliable value attributed to them; and
- (d) have differing estimated useful lives to the extent that failure to depreciate them separately would result in a material difference in the annual depreciation expense for GPNSW.

The starting useful lives of GPNSW's items of property, plant and equipment are based on the following:

	<u>2013</u> <u>Years</u>	<u>2012</u> <u>Years</u>
Buildings (Not Componentised)	40	40
Buildings (Componentised)		
Structure	40	40
Air Conditioning Units	20	20
Lifts	30	30
Computer Equipment and Software	3	3
Furniture and Fittings	10	10
Plant and Equipment and Office Equipment	5	5
Leasehold Improvements	6	6

Heritage buildings are depreciated in accordance with the above useful life ranges. Fine Arts and Heritage items located within owned buildings are not depreciated as they do not have a limited useful life. These items are however subject to an annual impairment test to identify any impairment.

In accordance with AASB 5 "Non-current Assets Held for Sale and Discontinued Operations", any assets held for sale are not depreciated. Land is also not depreciated as land is not a depreciable asset.

#### (vi) Restoration Costs

The estimated cost of dismantling and removing an asset and restoring the site is included in the cost of an asset, to the extent it is recognised as a liability.

#### (vii) Maintenance

Day-to-day servicing costs or maintenance are charged as expenses as incurred, except where they relate to the replacement of a part or component of an asset, in which case the costs are capitalised and depreciated.

#### (viii) Leased Assets

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased assets, and operating leases under which the lessor effectively retains all such risks and benefits.

## Government Property NSW (Formerly State Property Authority)

### Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2013

#### (a) Finance Leases

Assets held under finance leases as lessee are recognised on inception at an amount equal to the fair value of the leased property, or if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Statement of Financial Position as Finance Lease Liabilities under Borrowings (Note 12). Lease payments are allocated between the principal component of the lease liability and the interest expense. Leased assets are amortised over the period of the lease or the life of the asset, whichever is the shorter.

Finance leases as lessor in which substantially all the risks and rewards incidental to legal ownership are transferred by GPNSW to the lessee, are classified in the Statement of Financial Position as Finance Lease Receivables under Receivables (Note 7(b)). Assets held under a finance lease arrangement are presented as a receivable at an amount equal to the net investment in the lease. Lessee finance lease payments are treated by GPNSW as repayment of principal and finance income over the lease term to reimburse and reward GPNSW's investment and services. Lease payments relating to the period, excluding costs for services, are applied against the gross investment in the lease to reduce both the principal and the unearned finance income.

#### (b) Operating Leases

Operating lease payments are recognised in the Net Result and charged on a straight-line basis over the lease term. Lease incentives received which are less than \$500,000 are recognised directly in the Net Result in the year in which they are received. Lease incentives received which are greater than this amount are recognised in the Statement of Financial Position and are allocated to the Net Result over the lease term (Notes 14(a) and 2(b)).

In accordance with AASB 137 "Provisions, Contingent Liabilities and Contingent Assets", in the case of an onerous contract, the present obligation under the contract is recognised and measured as a provision.

The terms of occupancy for government agencies occupying space in GPNSW owned premises is dictated in the Memorandum of Understanding (MoU) between GPNSW and the agency. The provisions of the MoU are generally based on market place conditions applicable to office buildings in commercial centres.

The term of the tenancy agreement is indefinite with the agency required to give 18 months notice prior to vacating. Termination of part tenancies is permitted subject to a variety of conditions being satisfied.

Rent reviews for owned government office buildings are conducted at two yearly intervals to update rentals to current market rates. There are no ratchet clauses in place and tenants are charged an effective rental, which takes into consideration incentives available in the market place at a particular point in time.

Tenants will makegood the premises by undertaking a physical makegood or negotiating a financial settlement with GPNSW.

#### (ix) Intangible Assets

GPNSW recognises intangible assets only if it is probable that future economic benefits will flow to GPNSW and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition.

All research costs are expensed. Development costs are only capitalised when certain criteria are met.

The useful lives of intangible assets are assessed to be finite.

Intangible assets are subsequently measured at fair value only if there is an active market. As there is no active market for GPNSW's intangible assets, the assets are carried at cost less any accumulated amortisation.

GPNSW's intangible assets (computer software) are amortised using the straight-line method over a period of three (3) years.

Intangible assets are tested for impairment where an indicator of impairment exists. If the recoverable amount is less than its carrying amount, the carrying amount is reduced to recoverable amount and the reduction is recognised as an impairment loss.

## Government Property NSW (Formerly State Property Authority)

### Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2013

(x) Cash and Cash Equivalents

Cash and short-term deposits in the Statement of Financial Position comprise cash at bank and in hand, restricted cash and other short-term deposits with an original maturity of three months or less.

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(xi) Loans and Receivables

Loans and 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 an amortised cost using the effective interest method, less an allowance for any impairment of receivables. Any changes are recognised in the Net Result when impaired, derecognised or through the amortisation process.

Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial. Such receivables, which generally have 30-day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

(xii) Impairment of Financial Assets

All financial assets, except those measured at fair value through profit and loss, are subject to an annual review for impairment. An allowance for impairment is established when there is objective evidence that GPNSW will not be able to collect all amounts due.

For financial assets carried at amortised cost, the amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment loss is recognised in the Net Result for the year.

Any reversals of impairment losses are reversed through the Net Result for the year, where there is objective evidence. Reversals of impairment losses of financial assets carried at amortised cost cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

(xiii) Derecognition of Financial Assets and Financial Liabilities

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire or if GPNSW transfers the financial asset:

- where substantially all the risks and rewards have been transferred; or
- where GPNSW has not transferred substantially all the risks and rewards, if GPNSW has not retained control.

Where GPNSW has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of GPNSW's continuing involvement in the asset.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires.

(xiv) Non-Current Assets Held for Sale

GPNSW has certain non-current assets classified as held for sale, where their carrying amount will be recovered principally through a sale transaction, not through continuing use. Non-current assets held for sale are recognised at the lower of carrying amount and fair value less costs to sell. These assets are not depreciated while they are classified as held for sale.

(xv) Other Assets

Other assets are recognised on a cost basis.

#### (h) Liabilities

(i) Payables

These amounts represent liabilities for goods and services provided to GPNSW and other amounts. Payables 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. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

## Government Property NSW (Formerly State Property Authority)

### Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2013

#### (ii) Borrowings

GPNSW's borrowings represent finance lease liabilities. The finance lease liabilities are determined in accordance with AASB 117 "Leases".

#### (iii) Provisions

##### (a) Personnel Services Provision

GPNSW receives personnel services from the Department of Finance and Services (DFS). The DFS is not a Special Purpose Service Entity and does not control GPNSW under this arrangement (Note 1(a)). As GPNSW is not an employer, the disclosure requirements of AASB 119 "Employee Benefits" in respect of employee benefits do not apply. However, for clarity and transparency, a Personnel Services Provision is disclosed in the notes to the financial statements where the substance of the underlying liability effectively represents employee benefits (Note 13(a)).

##### (b) Land Remediation Provision

Where GPNSW has a legal or constructive obligation to remediate an asset such as land, a provision is recognised to reflect the net present value of the estimated future costs required to settle GPNSW's remediation obligations (Note 13(b)). At the same time, where GPNSW owns the underlying asset, the amount of the provision is capitalised and added to the cost of the asset.

Periodic changes in the provision are accounted for in accordance with the requirements of AASB Interpretation 1 "Changes in Existing Decommissioning, Restoration and Similar Liabilities" and the revaluation model requirements of AASB 116 "Property, Plant and Equipment" for not-for-profit entities.

The discount applied to recognise the time value of money is unwound over the life of the provision. Any incremental increase resulting from the unwinding of the discount is recognised under Finance Costs within the Net Result in the reporting period in which it occurs.

Other increases or decreases in the provision resulting from periodic changes to the estimated timing or amount of future remediation costs, or changes to the discount rate used, alter the revaluation increase or decrease previously recognised on the underlying asset. An increase in the provision is recognised in the Net Result except to the extent that it reverses any Asset Revaluation Reserve balance in respect of the underlying class of assets. A decrease in the provision is credited to the Asset Revaluation Reserve except to the extent that it reverses any previous increase recognised in the Net Result in respect of the underlying class of assets. Any changes to the Asset Revaluation Reserve resulting from these provision increases or decreases are separately identified and disclosed within Other Comprehensive Income.

##### (c) Other Provisions

Other provisions are recognised when GPNSW has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources 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 expenditure required to settle the present obligation as at the reporting date, taking into account the risks and uncertainties that surround the events and circumstances that affect the provision. Where the effect of the time value of money is material, the provision amount is calculated as the present value of the expenditure expected to be required to settle the obligation. The discount rate used in the calculation is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The rate does not reflect risks for which future cash flow estimates have been adjusted.

#### (i) Equity and Reserves

##### (i) Accumulated Funds

The category "Accumulated Funds" includes all current and prior period retained funds. All financial distributions are made directly from Accumulated Funds.

##### (ii) Asset Revaluation Reserve

The total asset revaluation reserve is used to record increments and decrements on the revaluation of non-current property plant and equipment and finance leases. This accords with GPNSW's policy on the Revaluation of Property, Plant and Equipment (Note 1(g)(iii)). No financial distributions are made from the Asset Revaluation Reserve.

## **Government Property NSW (Formerly State Property Authority)**

### **Notes to and Forming Part of the Financial Statements**

**For the Year Ended 30 June 2013**

#### **(j) Financial Distributions**

As a Government business, GPNSW operates under the State Government's Commercial Policy Framework. A key component of this Framework is the requirement to make financial distributions to owners. In GPNSW's case, its owner is the State Government. All payments of financial distributions are made to the Crown Finance Entity.

The nature and calculation of the required annual distributions is determined by NSW Treasury Policy and Guidelines Paper, TPP 09-6 "Financial Distribution Policy for Government Businesses". The distributions made by GPNSW include normal distribution payments from cash operating surpluses and special distribution payments, or capital repatriations, from the sale of its own properties.

Normal distributions are payments made from current year cash surpluses. Treasury policy states that a government business should not retain any cash in excess of its requirements for working capital, in addition to a contingency allowance for an appropriate level of financial flexibility. Funds in excess of these requirements are returned to the State Government.

Capital repatriations, or special distributions, are additional one-off payments which represent capital repayments of the State Government's equity in GPNSW. In GPNSW's case, capital repatriation payments represent the full return of the net proceeds (ie. total proceeds less costs) of all GPNSW-owned property sales (Note 15(a)).

#### **(k) Equity Transfers**

The establishment of new statutory bodies or transfer of net assets between agencies as a result of an administrative restructure, transfers of programs/functions and parts thereof between NSW public sector agencies are designated as a contribution by owners and recognised as an adjustment to Accumulated Funds. This treatment is in accordance with Treasury Policy and Guidelines Paper TPP 09-3 "Contributions By Owners Made to Wholly-Owned Public Sector Entities" and is consistent with Interpretation 1038 "Contributions by Owners Made to Wholly-Owned Public Sector Entities" and Australian Accounting Standards.

Transfers arising from an administrative restructure between government agencies are recognised at the amount at which the asset was recognised by the transferor government agency immediately prior to the restructure. In most cases this will approximate fair value. All other equity transfers are recognised at fair value.

#### **(l) Budgeted Amounts**

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the reporting period, as adjusted for section 24 of the *Public Finance and Audit Act 1983* where there has been a transfer of functions between departments. Other amendments made to the budget are not reflected in the budgeted amounts.

#### **(m) Comparative Information**

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements.

#### **(n) New Australian Accounting Standards Issued But Not Effective**

NSW public sector entities are not permitted to early adopt new Australian Accounting Standards, unless Treasury determines otherwise.

There are a number of recently issued or amended Australian Accounting Standards and Interpretations which are not yet effective and have not been adopted for the reporting period ending 30 June 2013. Management has reviewed each of these Standards and Interpretations and considers that their early adoption will not have any material impact on the financial results of GPNSW.

#### **(o) Changes in Accounting Policy**

There were no changes in accounting policy during 2012-13.

## Government Property NSW (Formerly State Property Authority)

### Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2013

2. EXPENSES EXCLUDING LOSSES	2013	2012
	\$'000	\$'000
<b>(a) Personnel Services Expense (i)</b>		
Salaries and Wages (Including Recreation Leave)	12,668	12,404
Contractors	2,719	2,245
Superannuation (Defined Benefit Plans) (ii)	(3,813)	10,678
Superannuation (Defined Contribution Plans)	851	861
Long Service Leave	314	382
Worker's Compensation Insurance	104	144
Payroll Tax and Fringe Benefits Tax	775	795
	<b>13,618</b>	<b>27,509</b>

(i) The Personnel Services Expense is the expense incurred by GPNSW on personnel services provided to it by the Department of Finance and Services. Under the *Government Property NSW Act 2006*, GPNSW is unable to employ staff (Note 1(a)).

(ii) The Superannuation (Defined Benefits Plans) expense includes a net decrease of \$4.2 million in the unfunded liability at 30 June 2013 (\$10.1m increase at 30 June 2012) in respect of personnel who are members of these Plans (Note 13(a)(ii)). This decrease includes superannuation net actuarial gains of \$3.7 million in 2012-13 (net actuarial losses of \$10.3m in 2011-12) which are recognised directly in the Net Result under Personnel Services Expense.

<b>(b) Other Operating Expenses</b>	2013	2012
	\$'000	\$'000
Property Head Lease Expense (i)	347,562	333,189
Other Property Related Expenses (ii)	32,657	31,729
Other Operating Expenses (iii)	3,833	4,514
	<b>384,052</b>	<b>369,432</b>

(i) Property Head Lease Expense	2013	2012
	\$'000	\$'000
Minimum Lease Payments (a)	282,299	269,158
Rental Expenses Arising from Sub-Leases (b)	50,654	48,220
Contingent Rentals (c)	18,284	19,741
	<b>351,237</b>	<b>337,119</b>
Less Amortisation of Lessor Lease Incentives (Note 14(a))	(3,675)	(3,930)
	<b>347,562</b>	<b>333,189</b>

(a) The majority of head leased office accommodation property is sub-leased to government agencies. The terms of the operating head leases generally range from 3 to 15 years with the option of renewal of further terms. The lease agreements allow Lessors the right to review rents on specified dates.

The net increase in property head lease expense over 2011-12 has resulted mainly from GPNSW's program of vesting leased properties from other government agencies during 2012-13, pursuant to Premier's Memorandum M2012-20 "Government Property NSW (previously State Property Authority) and Government Property Principles".

(b) Expenditure for recurrent outgoings on property leased by GPNSW as lessee includes maintenance, electricity, cleaning and expenses for common areas and public risk. This is recovered from sub-lessees.

(c) Contingent rentals are variations due to market rental reviews and changes to the Consumer Price Index between the actual lease and the amounts of minimum lease payments determined at the inception of the lease.

**Government Property NSW (Formerly State Property Authority)**

**Notes to and Forming Part of the Financial Statements**

**For the Year Ended 30 June 2013**

(ii) Other Property Related Expenses	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Management Fees	7,143	6,956
Gas and Electricity	6,137	5,257
Maintenance (a)	5,827	5,039
Cleaning	4,013	4,066
Rates and Levies	1,982	2,306
Security	1,515	1,367
Valuations	538	170
Bad Debts	(129)	570
Other (b)	5,631	5,998
	<b>32,657</b>	<b>31,729</b>

(a) Maintenance expenses relate to owned properties and includes ad-hoc and scheduled maintenance services on lifts, air conditioning units, fire protection systems, plumbing, electrical and other areas. There was no personnel services maintenance expense in 2012-13 (nil in 2011-12).

(b) Items classified as Other include telephone, fire safety, legal, building manager costs, gardening and sundry charges incurred on properties owned by GPNSW.

(iii) Other Operating Expenses	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Audit Fees (Audit of Financial Statements)	185	172
Legal Fees	24	111
Consultants	200	185
Office Accommodation Expenses	161	148
Corporate Service Fees	1,004	915
Other (a)	2,259	2,983
	<b>3,833</b>	<b>4,514</b>

(a) Items classified as Other include advertising, training, conferences, computer costs, telephone, printing, stationery, travel, removal and other sundry charges.

<b>(c) Depreciation and Amortisation</b>	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Depreciation of Property, Plant and Equipment (Note 8)	22,186	21,832
Amortisation of Finance Lease Assets (Note 8)	5,838	5,707
Amortisation of Intangible Assets (Note 10)	604	451
	<b>28,628</b>	<b>27,990</b>

<b>(d) Grants and Subsidies</b>	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Grants to Local Government (i)	625	-
	<b>625</b>	-

(i) Grants of \$0.6 million in 2012-13 represent payments made to North Sydney Council under agreement for works completed on land previously transferred to them.

<b>(e) Finance Costs</b>	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Finance Lease Interest Charges (Note 16(c))	3,306	3,504
Unwinding of Discount Rate on Land Remediation Provision (Note 13(b))	2,805	5,122
	<b>6,111</b>	<b>8,626</b>

**Government Property NSW (Formerly State Property Authority)**

**Notes to and Forming Part of the Financial Statements**

**For the Year Ended 30 June 2013**

<b>(f) Other Expenses</b>	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Increase/(Decrease) in Land Remediation Provision from Revised Estimate of Liability Remaining on Divested Land (i)	(8,920)	20,667
	<b>(8,920)</b>	<b>20,667</b>

- (i) Up until 30 June 2013, GPNSW continued to recognise the full remediation liability on various parcels of Newcastle port land previously transferred to the Newcastle Port Corporation. As GPNSW no longer owns these lands, any increases or decreases in the associated remediation liability remaining which result from revised estimates, are recognised directly in the Net Result under Other Expenses (Note 13(b)(i)(a)).

<b>3. REVENUE</b>	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>

<b>(a) Sale of Goods and Services</b>		
Property Rental Income - Operating Lease Income (i)	427,467	419,745
Fees for Services Rendered	1,545	1,438
	<b>429,012</b>	<b>421,183</b>
	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
(i) Property Rental Income - Operating Lease Income		
Owned Property Income	73,149	73,626
Leased Property Income	357,443	348,640
Less: Amortisation of Lessee Lease Incentives (Note 7(c))	(3,125)	(2,521)
	<b>427,467</b>	<b>419,745</b>

The net increase in rental income over 2011-12 has resulted mainly from GPNSW's program of vesting owned and leased properties from other government agencies during 2012-13 pursuant to Premier's Memorandum M2012-20 "Government Property NSW (previously State Property Authority) and Government Property Principles".

Future Minimum Lease Receipts under Non-Cancellable Operating Leases as Lessor

Receivable within one year	43,280	67,727
Receivable later than 1 year but not later than 5 years	26,786	37,629
Receivable later than 5 years	8,516	3,823
Total Including GST	<b>78,582</b>	<b>109,179</b>

The above represents future minimum lease receipts on GPNSW's owned properties. Future minimum lease receipts as at 30 June 2013 include GST payable of \$7.1 million (\$9.9m at 30 June 2012).

<b>(b) Investment Revenue</b>	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Property Finance Lease Income (i)	7,482	7,288
Interest Earned (ii)	2,159	3,605
	<b>9,641</b>	<b>10,893</b>

- (i) Income from finance leases as lessor includes contingent rent of \$1.4 million in 2012-13 (\$1.2m in 2011-12). Contingent rent is calculated as the difference between the current lease payments and the minimum lease payments which were determined at the initial recognition of the finance lease arrangement.

- (ii) Interest earned is received on cash set aside for remediation on land acquired by the Crown from BHP Billiton in 2002. The cash is held in a separate GPNSW bank account within the NSW Treasury Banking System.

## Government Property NSW (Formerly State Property Authority)

### Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2013

<b>(c) Grants and Contributions</b>	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
State Government - Recurrent Contribution (i)	5,503	5,698
State Government - Capital Contribution (ii)	22,959	20,841
Capital Contributions from Other Government Agencies (iii)	159	-
	<b>28,621</b>	<b>26,539</b>

- (i) GPNSW receives an annual recurrent contribution from the State Government for a range of non-commercial professional services undertaken which provide a whole-of-government benefit. These services include agency property portfolio reviews, whole-of-town studies, property policy implementation and coordination work on major capital project developments.
- (ii) GPNSW's approved Capital Program is fully funded by the State Government by way an annual capital contribution. The Program includes major works such as the construction or acquisition of Government Office Buildings and other asset renewal works included under GPNSW's Property Refurbishment Program.
- (iii) In 2012-13, GPNSW received capital contributions from other Government agencies towards minor property development and refurbishment works on GPNSW owned properties.

<b>(d) Other Revenue</b>	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Emerging Asset Revenue (i)	450	450
	<b>450</b>	<b>450</b>

- (i) In accordance with TPP 06-08 "Accounting for Privately Financed Projects", the Opera House Car Park is an emerging asset which GPNSW has a right to receive in 2043 under a privately financed infrastructure arrangement. The right is being recognised as revenue and added to the asset value over the term of the carpark concession (Note 8(b)(iii)).

<b>4. GAIN/(LOSS) ON DISPOSAL</b>	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Net Proceeds from Disposal of Property, Plant and Equipment	270,455	6,610
Written Down Value	(240,931)	(6,283)
<b>Net Gain/(Loss) on Disposal (i)</b>	<b>29,524</b>	<b>327</b>

- (i) The significant increase in the net gain on disposal of Property, Plant and Equipment over 2011-12 has resulted mainly from the sale of six major owned office accommodation properties in June 2013 (Note 8(b)(v)).

<b>5. OTHER GAINS/(LOSSES)</b>	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Net Gain/(Loss) on Revaluation of Property, Plant and Equipment (a)	(11,094)	6,085
Net Loss on Residual Value Reassessments of Finance Lease Receivables (Note 7(b))	(202)	(1,131)
Impairment Loss on Work in Progress - Project Costs Recoverable (Note 7)	(1,742)	-
Impairment Loss on Property, Plant and Equipment (Note 8(b))	(1,422)	-
<b>Other Gains/(Losses)</b>	<b>(14,460)</b>	<b>4,954</b>

<b>(a) Net Gain/(Loss) on Revaluation of Property, Plant and Equipment</b>	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Increment/(Decrement) on Revaluation (Note 8(b))	(11,094)	6,085
<b>Net Gain/(Loss) on Revaluation (i)</b>	<b>(11,094)</b>	<b>6,085</b>

- (i) In 2012-13, a net loss on revaluation of Property, Plant and Equipment of \$11.1 million was recognised in the Net Result as there was no existing balance in the Asset Revaluation Reserve of the same class of asset as at 30 June 2013. In 2011-12, a net gain on revaluation of Property, Plant and Equipment of \$6.1 million was recognised in the Net Result as it reversed a net loss on revaluation of the same class of asset previously recognised in the Net Result.

**Government Property NSW (Formerly State Property Authority)**

**Notes to and Forming Part of the Financial Statements**

For the Year Ended 30 June 2013

<b>6. CASH AND CASH EQUIVALENTS</b>	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>(a) Reconciliation of Cash and Cash Equivalents</b>		
Cash at Bank and On Hand		
Operating Funds	50,294	48,654
Restricted Cash:		
Land Remediation Funds (i)	70,465	73,476
Agency Property Transaction Monies (ii)	8,382	16
<b>Total Cash at Bank and On Hand</b>	<b>129,141</b>	<b>122,146</b>
Represented in the Statement of Financial Position as:		
<b>Current Assets - Cash and Cash Equivalents</b>	<b>129,141</b>	<b>122,146</b>
<p>(i) A total of \$70.5 million (\$73.5m at 30 June 2012) is set aside for remediation on land acquired by the Crown from BHP Billiton in 2002. Of this amount, \$32.3 million is payable to the Crown Entity in 2013-14 (Notes 11 and 13(b)(i)(a)).</p> <p>(ii) A total of \$8.4 million (\$16 thousand at 30 June 2012) was held "on trust" on behalf of other government agencies for property acquisition and divestment transactions in progress, negotiations for which were being undertaken by GPNSW under formal agreement with those agencies (Note 11).</p> <p>For the purposes of the Statement of Cash Flows, cash includes cash on hand, cash at bank and "restricted cash". Refer to Note 18 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.</p>		
<b>(b) Reconciliation of Net Result to Net Cash Flows from Operating Activities</b>	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Net Result for the Year</b>	<b>58,674</b>	<b>10,122</b>
<b>Non Cash Expenses/(Revenues):</b>		
Emerging Asset Decrement/(Increment) (Note 3(d))	(450)	(450)
Depreciation and Amortisation (Note 2(c))	28,628	27,990
Gain on Disposal of Non-Current Assets (Note 4)	(29,524)	(327)
Other Losses/(Gains) on Revaluation of Non-Current Assets (Note 5)	14,460	(4,954)
<b>Changes in Operating Assets and Liabilities:</b>		
Decrease/(Increase) in Receivables	(3,210)	375
Increase/(Decrease) in Payables	8,283	(3,637)
Increase/(Decrease) in Provisions	(17,894)	13,376
Increase/(Decrease) in Other Operating Liabilities	(2,670)	(2,059)
<b>Net Cash Flow From Operating Activities</b>	<b>56,297</b>	<b>40,436</b>
<b>7. RECEIVABLES</b>	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Trade Receivables:		
Property Rental	4,101	3,800
Fees for Services Rendered	372	410
Less: Impairment Allowance (a)	(518)	(609)
	3,955	3,601
Other Receivables:		
Work in Progress - Project Costs Recoverable	2,233	1,280
Goods and Services Tax Recoverable	1,530	1,026
Makegood Costs Recoverable (Note 13(c))	26,336	28,610
Finance Lease Receivables (b)	5,293	6,526
Lessee Lease Incentives (c)	2,891	2,489
Other	5,275	6,325
<b>Total Current Receivables</b>	<b>47,513</b>	<b>49,857</b>

**Government Property NSW (Formerly State Property Authority)**

**Notes to and Forming Part of the Financial Statements**

**For the Year Ended 30 June 2013**

	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Non-Current</b>		
Other Receivables:		
Makegood Costs Recoverable (Note 13(c))	121,694	111,094
Deferred Land Sale Proceeds	12,155	11,576
Finance Lease Receivables (b)	78,475	76,638
Lessee Lease Incentives (c)	10,703	14,139
<b>Total Non-Current Receivables</b>	<b>223,027</b>	<b>213,447</b>

Trade receivables and other receivables including makegood are non-interest bearing and are generally on 30-day terms.

<b>(a) Impairment Allowance</b>	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Movement:		
Balance at 1 July	609	122
Amount Written Off	-	(84)
Amount Recovered	(195)	(61)
Increase/(Decrease) in Allowance	104	632
<b>Balance at 30 June</b>	<b>518</b>	<b>609</b>

The impairment allowance at 30 June 2013 includes an accumulated allowance of \$nil (\$nil at 30 June 2012) for uncollectible minimum finance lease payments receivable.

<b>(b) Finance Lease Receivables</b>	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Movement:		
Balance at 1 July	83,164	75,631
Reclassification from Land (Note 8(b))	-	7,900
Net Gain/(Loss) on Residual Value Reassessments (Note 5)	(202)	(1,131)
Lease Payments Received	(6,676)	(6,524)
Property Finance Lease Income (Note 3(b))	7,482	7,288
<b>Balance at 30 June</b>	<b>83,768</b>	<b>83,164</b>

- (i) Reconciliation between Gross Investment in Finance Leases as Lessor and the Present Value of the Minimum Lease Payments Receivable

Gross Investment in Finance Leases as Lessor	405,668	412,490
Less: Unearned Finance Income	(321,900)	(329,326)
<b>Present Value of the Minimum Lease Payments Receivable</b>	<b>83,768</b>	<b>83,164</b>

- (ii) Aged Reconciliation of the Gross Investment in Finance Leases as Lessor

Not later than one year	5,293	5,293
Later than one year and not later than five years	21,173	21,173
Later than five years.	379,202	386,024
<b>Gross Investment in Finance Leases as Lessor</b>	<b>405,668</b>	<b>412,490</b>

- (iii) Aged Reconciliation of the Present Value of the Minimum Lease Payments Receivable

	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Not later than one year	5,293	5,293
Later than one year and not later than five years	17,451	17,451
Later than five years.	61,024	60,420
<b>Present Value of the Minimum Lease Payments Receivable</b>	<b>83,768</b>	<b>83,164</b>

- (iv) The unguaranteed residual value of all finance leases as lessor accruing to the benefit of GPNSW as at 30 June 2013 is \$19.0 million (\$18.0m at 30 June 2012).

- (v) GPNSW's material leasing arrangements which give rise to finance lease receivables involve owned properties which are leased to tenants under lease terms of 50 years or more.

**Government Property NSW (Formerly State Property Authority)**

**Notes to and Forming Part of the Financial Statements**

For the Year Ended 30 June 2013

<b>(c) Lessee Lease Incentives (i)</b>	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Movement:		
Balance at 1 July	16,628	8,351
Add Lease Incentives Provided	91	10,798
Less Current Year Amortisation (Note 3(a)(i))	(3,125)	(2,521)
<b>Balance at 30 June</b>	<b>13,594</b>	<b>16,628</b>
<p>(i) Lessee lease incentives provided relate to incentives given to GPNSW under head lease agreements which GPNSW has passed on to government agency tenants under sub-lease arrangements. Lessee lease incentives are amortised over the term of each lease and are recognised as a reduction to Property Rental Income under Sale of Goods and Services in the Statement of Comprehensive Income (Note 3(a)(i)).</p>		
<b>8. PROPERTY, PLANT AND EQUIPMENT</b>	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>(a) Carrying Amount at 30 June</b>		
<b>Non-Current</b>		
<b>Land and Buildings</b>		
At Fair Value	429,560	706,270
<b>Carrying Amount at 30 June</b>	<b>429,560</b>	<b>706,270</b>
<b>Land</b>		
At Fair Value	128,378	133,296
<b>Carrying Amount at 30 June</b>	<b>128,378</b>	<b>133,296</b>
<b>Plant and Equipment</b>		
At Fair Value	7,383	10,325
Less Accumulated Depreciation	(1,663)	(2,621)
<b>Carrying Amount at 30 June</b>	<b>5,720</b>	<b>7,704</b>
<b>Finance Lease Assets</b>		
At Fair Value	63,744	67,740
<b>Carrying Amount at 30 June</b>	<b>63,744</b>	<b>67,740</b>
<b>Emerging Asset</b>		
At Fair Value	3,750	2,950
<b>Carrying Amount at 30 June</b>	<b>3,750</b>	<b>2,950</b>
<b>Works in Progress</b>	<b>3,562</b>	<b>3,228</b>
<b>Total Non-Current Property, Plant and Equipment at 30 June</b>	<b>634,714</b>	<b>921,188</b>
Total at Cost or Fair Value	636,377	923,809
Total Accumulated Depreciation and Amortisation	(1,663)	(2,621)
<b>Total Non-Current Property, Plant and Equipment at 30 June</b>	<b>634,714</b>	<b>921,188</b>
<b>(b) Reconciliation of Opening and Closing Carrying Amounts</b>	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Land and Buildings (i)</b>		
Carrying Amount at 1 July	706,270	689,377
Additions	16,946	14,425
Disposals (Note 8(b)(v))	(239,742)	(1,283)
Transfer from Works in Progress	1,878	2,599
Transfers from other Government Agencies (Note 15(c))	3,345	16,000
Reclassification to Non-Current Asset Held For Sale (Note 9(b))	(19,900)	-
Transfer from/(to) Land	(9,309)	54
Net Revaluation Reserve Increment/(Decrement)	(350)	(7)
Net Revaluation Increment/(Decrement) Recognised in the Net Result (Note 5(a))	(8,590)	6,085
Depreciation Expense	(20,988)	(20,980)
<b>Carrying Amount at 30 June</b>	<b>429,560</b>	<b>706,270</b>

**Government Property NSW (Formerly State Property Authority)**

**Notes to and Forming Part of the Financial Statements**

For the Year Ended 30 June 2013

<b>Reconciliation of Opening and Closing Carrying Amounts</b>	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Land (i)</b>		
Carrying Amount at 1 July	133,296	133,031
Additions	339	625
Reclassification to Finance Lease Receivable (Note 7(b))	-	(7,900)
Transfer from/(to) Land and Buildings	9,309	(54)
Transfers from other Government Agencies (Note 15(c))	655	-
Net Revaluation Reserve Increment/(Decrement)	(12,717)	7,594
Net Revaluation Increment/(Decrement) Recognised in the Net Result (Note 5(a))	(2,504)	-
<b>Carrying Amount at 30 June</b>	<b>128,378</b>	<b>133,296</b>
<b>Reconciliation of Opening and Closing Carrying Amounts</b>	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Plant and Equipment</b>		
Carrying Amount at 1 July	7,704	6,162
Additions	395	2,394
Disposals	(1,181)	-
Depreciation Expense	(1,198)	(852)
<b>Carrying Amount at 30 June</b>	<b>5,720</b>	<b>7,704</b>
<b>Reconciliation of Opening and Closing Carrying Amounts</b>	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Finance Lease Assets (ii)</b>		
Carrying Amount at 1 July	67,740	73,272
Additions	920	41
Net Revaluation Reserve Increment	922	134
Amortisation Expense	(5,838)	(5,707)
<b>Carrying Amount at 30 June</b>	<b>63,744</b>	<b>67,740</b>
<b>Reconciliation of Opening and Closing Carrying Amounts</b>	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Emerging Asset (iii)</b>		
Carrying Amount at 1 July	2,950	2,200
Net Revaluation Reserve Increment	350	300
Emerging Asset Increment (Note 3(d))	450	450
<b>Carrying Amount at 30 June</b>	<b>3,750</b>	<b>2,950</b>
<b>Reconciliation of Opening and Closing Carrying Amounts</b>	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Works in Progress - Land and Buildings (iv)</b>		
Opening Balance at 1 July	3,228	2,599
Additions	3,634	3,228
Transfer to Land and Buildings	(1,878)	(2,599)
Impairment Loss (Note 5(a))	(1,422)	-
<b>Closing Balance at 30 June</b>	<b>3,562</b>	<b>3,228</b>

(i) Valuation of Land and Buildings and Land

All properties within the asset classes of Land and Buildings and Land (classified under Property Plant and Equipment) were independently valued as at 30 June 2013. Qualified valuers, AssetVal Pty Ltd, Savills Valuation, Knight Frank, Walsh and Monaghan, and CBRE were engaged to provide GPNSW with independent property valuation reports. Each firm provided individual valuations on a sub-set of properties assigned to them. The valuations took into consideration changes to market and economic conditions that have occurred since 30 June 2012 as well as the previous full speaking valuation reports.

(ii) Finance Lease Assets

Finance lease assets as at 30 June 2013 relate to Noel Park House, Marius Street, Tamworth and a part of the Colonial State Bank building at 50 Martin Place, Sydney. Noel Park House is being amortised over the life of the lease and the Colonial State Bank building is being amortised over the estimated economic life of the building (Note 16(c)).

Colonial State Bank building was independently revalued on 30 June 2013 by qualified valuer, Knight Frank who has recent experience in comparable markets and the category of the finance lease asset being valued. Marius Street, Tamworth was also revalued on 30 June 2013 by Knight Frank.

## Government Property NSW (Formerly State Property Authority)

### Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2013

#### (iii) Emerging Asset

An emerging asset in relation to the Sydney Opera House Car Park is recognised under Property, Plant and Equipment. The car park land, which is recognised as a Finance Lease Receivable, was leased to a private consortium on a 50 year ground lease which commenced on 13 March 1993. The lessee has constructed, at its own expense, a subterranean car park which has an assessed economic life of greater than 50 years. At the expiration of the lease term GPNSW has the right to receive the car park.

The emerging value of the car park is \$3.8 million at 30 June 2013 (\$3.0m at 30 June 2012). The emerging value is being allocated to revenue and Property, Plant and Equipment during the term of the lease as if it were the compound value of an annuity discounted at the NSW Government bond rate applicable at 13 March 1993, being 8.25%.

Qualified valuer, Knight Frank was engaged to provide an independent fair value valuation of the lessor's interest in the freehold property subject to the existing lease as prescribed under Treasury Accounting Policy TPP 06-8 "Accounting for Privately Financed Projects" as at 30 June 2013.

#### (iv) Works in Progress - Land and Buildings

Expenditure capitalised during the year and recorded under works in progress as at 30 June 2013 relates to refurbishment works in various office buildings totalling \$3.6 million (\$3.2m in 2011-12 of which \$1.9m was transferred to Land and Buildings in 2012-13 and \$1.3 was impaired in 2012-13).

#### (v) Disposals and Transfers

Following recommendations made by the NSW Government's Property Asset Utilisation Taskforce (PAUT), the following GPNSW owned office accommodation properties were sold under a packaged sale and leaseback arrangement through a competitive tender process during 2012-13. The entire transaction, including the tender process was fully managed and controlled by the Office of Finance within the Department of Finance and Services (DFS):

- Lot 1121, DP 1106979, 2-6 Station Street, Penrith
- Lot 6, DP 820360, 2-24 Rawson Place, Haymarket
- Lot 1, DP 1117529, 11 Farrer Place, Queanbeyan
- Lot 1, DP 711968, 84 Crown Street, Wollongong
- Lot 3186, DP 41542, 17 Bull Street, Newcastle West
- Lot 1 and 2, DP 134866, 4-6 Bligh Street, Sydney

Settlement for the above sales occurred on 11 June 2013. The leasebacks on each of the properties are classified as operating leases in accordance with AASB 117 "Leases" and the total commitment for the future minimum lease payments is disclosed within Operating Lease Commitments (Note 16(b)).

The following properties were also sold by GPNSW under separate public auction or tender arrangements during 2012-13:

- Lot B, DP 334618, 24 Maitland Road, Islington
- Lot 5(8) and Lot 19(8), DP 758338, 60-62 Sturt Street, Dareton
- Lots 13-14, DP 13536, 7 Speed Street, Liverpool

## Government Property NSW (Formerly State Property Authority)

### Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2013

(vi) Heritage Assets

The following properties had restrictions due to being heritage listed. The valuation takes into account the highest and best use of the property:

- Government Office Building, 21 Mitchell Street, Bourke
- Government Office Building, 51-53 Oxley Street, Bourke
- Chief Secretary's Building, 121 Macquarie Street, Sydney
- Education Building, 35-39 Bridge Street, Sydney
- Government Office Building, 90 Market Street, Mudgee
- Government Office Building, 1-5 Camp Street, Forbes
- Strickland House, 52 Vacluse Road, Vacluse
- Agar Steps Terraces, 5-9 Agar Steps Kent Street, Millers Point
- Glover Cottage, 124 Kent Street, Millers Point
- Richmond Villa, 120 Kent Street, Millers Point
- National Trust Centre, Bradfield Highway, Millers Point
- Quarantine Depot, Off Balls Head Road, Waverton
- Crown Lands Office, 205 Wade Street, Leeton
- Former BP Australia Terminal, Balls Head Road, Waverton
- Government Office Building, 135 Main Street, Murwillumbah
- Government Office Building, Cnr Lynch and Lovell Street, Young
- Sydney Fish Market Site, Pyrmont Bridge Road, Pyrmont
- Parramatta Correctional Centre, O'Connell Street, Parramatta

**9. NON-CURRENT ASSETS HELD FOR SALE**

**(a) Carrying Amount at 30 June**

**Land and Buildings**

At Fair Value

**Carrying Amount at 30 June**

2013	2012
\$'000	\$'000
19,900	-
<b>19,900</b>	<b>-</b>

**(b) Reconciliation of Opening and Closing Carrying Amounts**

**Non-Current Assets Held for Sale**

Carrying Amount at 1 July

Additions (Note 8(b))

Disposals

**Carrying Amount at 30 June**

2013	2012
\$'000	\$'000
-	5,000
19,900	-
-	(5,000)
<b>19,900</b>	<b>-</b>

**10. INTANGIBLE ASSETS**

**(a) Carrying Amount at 30 June**

**Computer Software**

Gross Carrying Amount

Less Accumulated Amortisation

**Carrying Amount at 30 June**

2013	2012
\$'000	\$'000
3,231	2,260
(1,634)	(1,036)
<b>1,597</b>	<b>1,224</b>

**(b) Reconciliation of Opening and Closing Carrying Amounts**

**Intangible Assets**

Carrying Amount at 1 July

Additions/Acquisitions

Disposals

Amortisation Expense

**Carrying Amount at 30 June**

2013	2012
\$'000	\$'000
1,224	1,073
985	602
(8)	-
(604)	(451)
<b>1,597</b>	<b>1,224</b>

**Government Property NSW (Formerly State Property Authority)**

**Notes to and Forming Part of the Financial Statements**

For the Year Ended 30 June 2013

<b>11. PAYABLES</b>	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Sundry Creditors and Accruals	21,118	18,385
Land Remediation Expense Accrual	381	139
Land Remediation Funds Payable to Crown Finance Entity (Notes 6(a)(i) and 13(b)(i)(a))	32,282	-
Agency Property Transaction Monies (Note 6(a)(ii))	8,382	16
Payable to Personnel Services Provider (Note 1(a))	3,457	468
<b>Total Current Payables</b>	<b>65,620</b>	<b>19,008</b>
<b>12. BORROWINGS</b>	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Finance Lease Liabilities (Note 16(c))	2,912	2,698
<b>Total Current Borrowings</b>	<b>2,912</b>	<b>2,698</b>
<b>Non-Current</b>		
Finance Lease Liabilities (Note 16(c))	40,004	42,916
<b>Total Non-Current Borrowings</b>	<b>40,004</b>	<b>42,916</b>
<b>13. PROVISIONS</b>	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Personnel Services (a)	-	1,711
Land Remediation (b)	20,223	30,753
Makegood Restoration (c)	26,336	28,610
Legal Settlement (d)	180	180
<b>Total Current Provisions</b>	<b>46,739</b>	<b>61,254</b>
<b>Non-Current</b>		
Personnel Services (a)	15,059	19,234
Land Remediation (b)	30,676	82,667
Makegood Restoration (c)	121,907	111,094
<b>Total Non-Current Provisions</b>	<b>167,642</b>	<b>212,995</b>
<b>(a) Personnel Services</b>	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Movement:		
Carrying Amount at 1 July	20,945	10,581
Decrease in Provision from Payments	-	(1,300)
Transfer to Payables (i)	(1,711)	-
Net Increase/(Decrease) in Liability to Personnel Services Provider	(4,175)	11,664
<b>Carrying Amount at 30 June</b>	<b>15,059</b>	<b>20,945</b>
Current Liability	-	1,711
Non-Current Liability	15,059	19,234
<b>Total Liability at 30 June</b>	<b>15,059</b>	<b>20,945</b>
<b>Aggregate Personnel Services Liability - Dissection</b>	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Annual Leave (i)	-	1,154
Long Service Leave On-costs (i)	-	557
Unfunded Superannuation (Defined Benefits Schemes) (ii)	15,059	19,234
<b>Total Liability at 30 June</b>	<b>15,059</b>	<b>20,945</b>

## Government Property NSW (Formerly State Property Authority)

### Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2013

GPNSW receives personnel services from the Department of Finance and Services (DFS). The DFS is not a Special Purpose Service Entity and does not control GPNSW under this arrangement (Note 1(a)). As GPNSW is not an employer, the disclosure requirements of AASB 119 "Employee Benefits" in respect of employee benefits do not apply. However, for clarity and transparency, a Personnel Services Provision is disclosed where the substance of the underlying liability recognised effectively represents employee benefits.

(i) Annual Leave and Long Service Leave On-costs

From 1 July 2012, under revised processing arrangements agreed between GPNSW and DFS, all net movements in employee related liabilities associated with annual leave and long service leave were paid to DFS as part of the monthly Personnel Services Expense reimbursement process. Agreement was also reached between GPNSW and DFS for the \$1.7 million balance of these liabilities as at 30 June 2012 to be settled by cash payment to DFS. As a result of these revised arrangements, no provision for Annual Leave and Long Service Leave On-costs was recognised at 30 June 2013.

(ii) Unfunded Superannuation (Defined Benefits Schemes)

The superannuation schemes for the personnel provided to GPNSW by DFS include the State Superannuation Scheme, the State Authorities Superannuation Scheme and the State Authorities Non-contributory Superannuation Scheme. These schemes are all defined benefit schemes - at least a component of the final benefit is derived from a multiple of member salary and years of membership. All the schemes are closed to new members.

The defined benefit obligation recognised in the Statement of Financial Position represents the present value of the defined benefit obligation, adjusted for unrecognised past service cost, net of the fair value of the plan assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

The cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations carried out at each reporting date. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The unfunded defined benefit superannuation provision decreased by \$4.2 million at 30 June 2013 (\$10.1m increase at 30 June 2012) and included net actuarial gains of \$3.7 million in 2012-13 (net actuarial losses of \$10.3m in 2011-12) which are recognised directly in the Net Result (Note 2(a)). The improvement on the previous reporting period is largely due to an increase in the discount rate used to determine the present value of the defined benefit obligations. The discount rate increased from 3.06% at 30 June 2012 to 3.80% at 30 June 2013.

(b) **Land Remediation**

	2013 \$'000	2012 \$'000
Movement:		
Carrying Amount at 1 July	113,420	107,607
Decrease in Provision from Payments	(7,375)	(22,778)
Increase in Provision from Unwinding of Discount Rate (Note 2(e))	2,805	5,122
Increase/(Decrease) in Provision from Revised Estimate of Liability Recognised as a Revaluation Increment/(Decrement) in Other Comprehensive Income	2,047	2,802
Increase/(Decrease) in Provision from Revised Estimate of Liability Remaining on Divested Land (i)(a)	(8,920)	20,667
Transfer of Provision to the Crown Finance Entity (i)(a)	(51,078)	-
<b>Carrying Amount at 30 June</b>	<b>50,899</b>	<b>113,420</b>
Current Liability	20,223	30,753
Non-Current Liability	30,676	82,667
<b>Total Liability at 30 June</b>	<b>50,899</b>	<b>113,420</b>

## Government Property NSW (Formerly State Property Authority)

### Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2013

GPNSW's land remediation provision comprises remediation obligations on the following lands:

(i) Newcastle Landholdings

In June 2002, the Crown acquired the former BHP main steel works site at Mayfield and the Kooragang Islands waste emplacement sites in the Newcastle ports area. These sites required remediation to remove various contaminants associated with steel making. As part of the acquisition, the Crown negotiated for BHP Billiton to pay an amount to compensate for the total estimated cost of the land remediation and other works. In February 2007, the landholdings, remaining remediation liability and cash balance were transferred to GPNSW.

The Hunter Development Corporation (HDC) is the agency assigned by Government to undertake the remediation works. Under arrangement, GPNSW periodically reimburses the HDC for works undertaken and each year, the HDC provides GPNSW with a revised estimate of costs remaining to complete the works. Calculation of this estimate is based on current technical studies and analysis taking into account current and future contract costs, referable to awarded contracts where available. Where necessary, costs are indexed and discounted using general construction industry data available.

(a) Transfer to the Crown Finance Entity of Remediation Liability on Divested Newcastle Lands

In July 2009, management control for two parcels of the unremediated land at Mayfield and the Kooragang Island site were transferred to the Newcastle Port Corporation (NPC). As part of the transfer arrangements, the NSW Treasurer executed a Deed of Indemnity on behalf of the Crown which indemnified the NPC from liability for any contamination on the lands. Consequently, GPNSW continued to control and recognise the full remediation liability on these lands up until 30 June 2013. From revised estimates provided by the HDC in June 2013, the remaining liability as at 30 June 2013 was \$51.1 million (\$64.9m at 30 June 2012). The revised estimates resulted in a net liability decrease of \$8.9 million (increase of \$20.7m in 2011-12) which is recognised directly in the Net Result under Other Expenses (Note 2(f)).

Pursuant to the "2002 Environmental Deed: Amendment and Acknowledgment Deed" (executed by the Treasurer in January 2013), and following final title transfer of the land parcels to the NPC in February 2013, GPNSW and the Crown Finance Entity (CFE) agreed to transfer the remaining remediation liability of \$51.1 million and associated cash of \$32.3 million to the CFE through equity transfer as at 30 June 2013. As the cash was paid in July 2013, an equivalent amount owing to the CFE has been recognised within Payables (Note 11). Accordingly, the equity transfer reflects an increase in Payables of \$32.3 million, a reduction in Provisions of \$51.1 million and an increase in Net Assets of \$18.8 million at 30 June 2013 (Note 15(c)).

(b) Remediation Liability Remaining on Newcastle Lands

At 30 June 2013, GPNSW retained ownership of the remaining parcel of the former steel works site at Mayfield (known as Mayfield Lot 1). From revised estimates provided by the HDC in June 2013, GPNSW has recognised a remaining remediation liability of \$38.8 million as at 30 June 2013 (\$36.7m at 30 June 2012). A discount rate of 2.75% was used at 30 June 2013 (2.48% at 30 June 2012).

(ii) Hunter's Hill Landholdings

In June 2009, GPNSW acquired land at lots 7, 9 and 11 Nelson Parade Hunter's Hill. Each of these lots are situated on a former uranium smelter site and, as part of the land transfers, the NSW Government has given GPNSW the responsibility to remediate the contaminated land.

GPNSW has estimated and recognised a total remediation liability of \$12.1 million as at 30 June 2013 (\$11.9m at 30 June 2012) for all three lots. This estimate has been determined using contract and tender details available as at 30 June 2013. Minor works were undertaken in 2012-13, however the remaining remediation will be undertaken and completed in 2013-14. A discount rate of 2.47% was used at 30 June 2013 (2.46% at 30 June 2012).

**Government Property NSW (Formerly State Property Authority)**

**Notes to and Forming Part of the Financial Statements**

**For the Year Ended 30 June 2013**

<b>(c) Makegood Restoration</b>	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Movement:		
Carrying Amount at 1 July	139,704	127,955
Increase in Provision from Unwinding of Discount Rate	3,716	6,666
Increase in Provision from Revised Estimate of Liability	5,248	5,775
Decrease in Provision from Payments	(425)	(692)
<b>Carrying Amount at 30 June</b>	<b>148,243</b>	<b>139,704</b>
Current Liability	26,336	28,610
Non-Current Liability	121,907	111,094
<b>Total Liability at 30 June</b>	<b>148,243</b>	<b>139,704</b>

The makegood restoration liability is calculated on all leased properties, where GPNSW is the lessee and reflects an estimate of the cost to makegood the premises to their original condition at the end of the lease term. The makegood costs are recoverable in full from the sub-lessees. An average discount rate of 2.80% was used (2.66% as at 30 June 2012) and the level of the provision is reviewed at the end of each year. Any movement in the Makegood Restoration Provision is also reflected in Makegood Costs Recoverable within Receivables (Note 7).

<b>(d) Legal Settlement</b>	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Movement:		
Carrying Amount at 1 July (i)	180	180
Additional Provision	-	-
<b>Carrying Amount at 30 June</b>	<b>180</b>	<b>180</b>
Current Liability	180	180
<b>Total Liability at 30 June</b>	<b>180</b>	<b>180</b>

- (i) A provision is maintained for legal settlement costs in relation to the McKell Building Break Benefits Litigation proceedings for which the NSW Crown has been ordered to pay the defendants costs. The amount of \$0.2 million provided is based on an offer made by GPNSW on 18 January 2012. As at 30 June 2013, negotiations were still underway between GPNSW and the defendants as to the final settlement amount.

<b>14. OTHER LIABILITIES</b>	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Lessor Lease Incentives (a)	3,441	3,039
Prepaid Rental on Contract Exchange (b)	1,406	2,250
<b>Total Current Liability at 30 June</b>	<b>4,847</b>	<b>5,289</b>
<b>Non-Current</b>		
Lessor Lease Incentives (a)	10,978	14,964
Prepaid Rental on Contract Exchange (b)	-	1,406
<b>Total Non-Current Liability at 30 June</b>	<b>10,978</b>	<b>16,370</b>
<b>(a) Lessor Lease Incentives</b>	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Movement:		
Carrying Amount at 1 July (i)	18,003	11,134
Additional Lease Incentives	91	10,799
Less Current Year Amortisation	(3,675)	(3,930)
<b>Carrying Amount at 30 June</b>	<b>14,419</b>	<b>18,003</b>
Current Liability	3,441	3,039
Non-Current Liability	10,978	14,964
<b>Total Liability at 30 June</b>	<b>14,419</b>	<b>18,003</b>

- (i) Lessor lease incentives received relate to incentives given to GPNSW under head lease agreements. Lessor lease incentives are amortised over the term of each lease and are recognised as a reduction to Property Head Lease Expense under Other Operating Expenses in the Statement of Comprehensive Income (Note 2(b)(i)).

## Government Property NSW (Formerly State Property Authority)

### Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2013

<b>(b) Prepaid Rental on Contract Exchange</b>	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Movement:		
Carrying Amount at 1 July (i)	3,656	5,906
Less Current Year Amortisation	(2,250)	(2,250)
<b>Carrying Amount at 30 June</b>	<b>1,406</b>	<b>3,656</b>
Current Liability	1,406	2,250
Non-Current Liability	-	1,406
<b>Total Liability at 30 June</b>	<b>1,406</b>	<b>3,656</b>

- (i) On 15 February 2011, GPNSW and Trustees of the Moriah College Building Fund exchanged contracts for the sale of land. On exchange, a deposit of \$6.8 million was paid by the Trustees in the form of prepaid rental owed until the date of final settlement on 15 February 2014. The deposit amount is being amortised over the term of the settlement period and is recognised as lease payments received within Finance Lease Receivables under Receivables (Note 7(b)).

<b>15. NOTE TO STATEMENT OF CHANGES IN EQUITY</b>	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>(a) Financial Distributions</b>		
Normal Distributions from Surplus on Rental Operations (Paid to the State Government) (Note 1(j))	28,000	31,000
Capital Repatriations from the Net Proceeds of Asset Sales (Paid to the State Government) (Note 1(j))	269,810	5,848
	<b>297,810</b>	<b>36,848</b>

<b>(b) Asset Revaluation Reserve Dissection</b>	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Asset Class:		
Land	-	14,764
Finance Leased Assets	3,452	2,530
Fine Arts & Heritage Assets	2,759	2,759
<b>Total Asset Revaluation Reserve at 30 June</b>	<b>6,211</b>	<b>20,053</b>

The total Asset Revaluation Reserve is used to record increments and decrements on the revaluation of Non-Current Property, Plant and Equipment and Finance Leases. This accords with GPNSW's policy on the Revaluation of Property, Plant and Equipment (Note 1(g)(iii)). All movements are recorded directly through Other Comprehensive Income and are recognised in the Statement of Financial Position. No distributions are made from the Asset Revaluation Reserve.

<b>(c) Net Increase/(Decrease) in Net Assets from Equity Transfers</b>	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Transfer of Properties from other Government Agencies (Note 8(b))	4,000	16,000
Transfer of Land Remediation Administration Function (Note 13(b)(i)(a))	18,796	-
<b>Total Net Increase/(Decrease) in Net Assets from Equity Transfers</b>	<b>22,796</b>	<b>16,000</b>

<b>16. COMMITMENTS FOR EXPENDITURE</b>	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>(a) Capital Expenditure Commitments</b>		
Capital expenditure contracted at balance date but not provided for:		
Payable within one year	3,923	4,204
Payable later than one year but not later than five years	-	-
Payable later than five years	-	-
<b>Total Capital Expenditure Commitments (Incl GST)</b>	<b>3,923</b>	<b>4,204</b>

Total capital expenditure commitments relate to contracted refurbishment works on various owned buildings. Capital expenditure commitments at 30 June 2013 include GST recoverable input tax credits of \$0.4 million (\$0.4m at 30 June 2012) that are expected to be recoverable from the Australian Taxation Office.

## Government Property NSW (Formerly State Property Authority)

### Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2013

<b>(b) Operating Lease Commitments</b>	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Head lease future minimum lease payments contracted at balance date but not provided for:		
Payable within one year	337,451	273,635
Payable later than one year but not later than five years	672,406	540,967
Payable later than five years	296,375	45,120
<b>Total Operating Lease Commitments (Incl GST)</b>	<b>1,306,232</b>	<b>859,722</b>

The majority of future minimum lease payments will be recouped by GPNSW under sub-leases. Future minimum lease payments and receipts as at 30 June 2013 include GST recoverable input tax credits of \$118.7 million (\$78.2m at 30 June 2012) and GST payable of \$118.7 million (\$78.2m at 30 June 2012).

The significant increase minimum lease payments over 2011-12 has resulted mainly from the sale and leaseback of six owned office accommodation properties in June 2013 (Note 8(b)(v)), in addition to GPNSW's ongoing program of vesting leased properties from other government agencies during 2011-12 and 2012-13 pursuant to Premier's Memorandum M2012-20 "Government Property NSW (previously State Property Authority) and Government Property Principles".

<b>(c) Finance Lease Commitments</b>	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Minimum Lease Payments:</b>		
Payable within one year	6,003	6,003
Payable later than one year but not later than five years	22,520	23,715
Payable later than five years	35,663	40,471
<b>Total Minimum Lease Payment Commitment</b>	<b>64,186</b>	<b>70,189</b>
<b>Finance Costs:</b>		
Payable within one year	(3,091)	(3,306)
Payable later than one year but not later than five years	(9,942)	(10,908)
Payable later than five years	(8,237)	(10,361)
<b>Total Finance Costs Commitment</b>	<b>(21,270)</b>	<b>(24,575)</b>
<b>Present Value of Finance Lease Commitments:</b>		
Payable within one year	2,912	2,697
Payable later than one year but not later than five years	12,578	12,807
Payable later than five years	27,426	30,110
<b>Total Present Value of Finance Lease Commitments</b>	<b>42,916</b>	<b>45,614</b>

GPNSW's Finance Lease Commitments comprise leases on Noel Park House, Tamworth and on part of the Colonial State Bank Building, Sydney. The Noel Park House lease has a lease term of 25 years with no option to purchase the asset at the completion of the lease term in 2017. The discount rate implicit in the lease is 8.64% pa. The Colonial State Bank lease liability is being amortised over the estimated economic life of the building, which is 40 years and ends in 2025. The discount rate implicit in the lease is 7.61% pa.

## 17. CONTINGENT ASSETS AND LIABILITIES

### (a) Contingent Assets

There are no known material contingent assets at 30 June 2013.

### (b) Contingent Liabilities

There are no known material contingent liabilities at 30 June 2013.

## 18. FINANCIAL INSTRUMENTS

GPNSW's principal financial instruments are outlined below. These financial instruments arise directly from GPNSW's operations or are required to finance GPNSW's operations. GPNSW does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

GPNSW's main risks arising from financial instruments are outlined below, together with GPNSW's objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout these financial statements.

## Government Property NSW (Formerly State Property Authority)

### Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2013

The Chief Executive Officer has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing risks. Risk management policies are established to identify and analyse the risks faced by GPNSW, to set risk limits and controls and to monitor risks. Risk management reporting and compliance with policies is reviewed on a regular basis by GPNSW's Audit and Risk Committee.

#### (a) Financial Instrument Categories

			2013 \$'000	2012 \$'000
<b>Financial Assets - Carrying Amounts</b>				
<u>Class</u>	<u>Category</u>	<u>Notes</u>		
Cash and Cash Equivalents	n/a	1(g)(x), 6	129,141	122,146
Receivables (i)	Loans and Receivables (at Amortised Cost)	1(g)(xi), 7	267,217	262,278
<b>Financial Liabilities - Carrying Amounts</b>				
<u>Class</u>		<u>Notes</u>		
Payables (ii)	Financial Liabilities (at Amortised Cost)	1(h)(i), 11	60,811	14,126
Borrowings	Financial Liabilities (at Amortised Cost)	1(h)(ii), 12	42,916	45,614

(i) Receivables exclude statutory receivables and prepayments as they are not within the scope of AASB 7.

(ii) Payables exclude statutory payables and unearned revenue as they are not within scope of AASB 7.

#### (b) Credit Risk

Credit risk arises when there is the possibility of GPNSW's debtors defaulting on their contractual obligations, resulting in a financial loss to GPNSW. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

Credit risk arises from the financial assets of GPNSW, including cash and receivables. No collateral is held by GPNSW. GPNSW has not granted any financial guarantees.

All of GPNSW's cash deposits are held within NSW Treasury Banking System bank accounts. All deposits held within the NSW Treasury Banking System are guaranteed by the State. The State of New South Wales has an AAA credit rating.

##### (i) Cash

Cash comprises cash on hand and bank balances within the NSW Treasury Banking System. Interest is earned on GPNSW's Land Remediation Account daily bank balance at the monthly average NSW Treasury Corporation 11am unofficial cash rate, adjusted for a management fee to NSW Treasury. All other bank accounts are non-interest bearing within the NSW Treasury Banking System.

##### (ii) Receivables - Trade Debtors

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectable are written off. An allowance for impairment is raised when there is objective evidence that GPNSW will not be able to collect all amounts due. This evidence includes past experience, and current and expected changes in economic conditions and debtor credit ratings. No interest is earned on trade debtors. Sales are made on 30-day terms.

GPNSW is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Based on past experience, debtors which are not past due totalling \$2.6 million (\$3.2m at 30 June 2012) are not considered impaired and these represent 58.7% (75.0% at 30 June 2012) of the total trade debtors. Most of GPNSW's debtors are NSW Government Agencies and therefore have an AAA credit rating. There are no debtors which are currently not past due or impaired whose terms have been renegotiated.

The only financial assets that are past due or impaired are trade debtors relating to property rental and fees-for-services income. These are included within Receivables in the Statement of Financial Position.

## Government Property NSW (Formerly State Property Authority)

### Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2013

Credit Risk - 2013	Overdue				Total
Financial Assets	<1 Mth \$'000	>1 <2 Mths \$'000	>2 <3 Mths \$'000	>3 Mths \$'000	2013 \$'000
<b>Receivables:</b>					
Past Due But Not Impaired	82	197	401	515	1,195
Considered Impaired	-	3	8	507	518
<b>Total Credit Risk</b>	<b>82</b>	<b>200</b>	<b>409</b>	<b>1,022</b>	<b>1,713</b>
<b>Credit Risk - 2012</b>					
Financial Assets	<1 Mth \$'000	>1 <2 Mths \$'000	>2 <3 Mths \$'000	>3 Mths \$'000	Total 2012 \$'000
<b>Receivables:</b>					
Past Due But Not Impaired	87	169	68	118	442
Considered Impaired	-	2	1	606	609
<b>Total Credit Risk</b>	<b>87</b>	<b>171</b>	<b>69</b>	<b>724</b>	<b>1,051</b>

- (i) Each row in the above table reports "gross receivables".
- (ii) The ageing analysis excludes statutory receivables, as these are not within the scope of AASB 7 and excludes receivables that are not past due and not impaired. Therefore, the Total Credit Risk line will not reconcile to the receivables total recognised in the Statement of Financial Position.

#### (c) Liquidity Risk

Liquidity risk is the risk that GPNSW will be unable to meet its payment obligations when they fall due. GPNSW continuously manages risk through monitoring future cash flows planning to ensure adequate holding of available cash. GPNSW's exposure to liquidity risk is deemed insignificant based on prior period data and current assessment of risk.

Liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW Treasury Circular 11/12. For small business suppliers, where terms are not specified, payment is made not later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, 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 a statement is received. For small business suppliers, where payment is not made within the specified time period, simple interest must be paid automatically unless an existing contract specifies otherwise. For payments to other suppliers, the Head of GPNSW (or a person appointed by the Head of GPNSW) may automatically pay the supplier simple interest. The rate of interest applied by GPNSW accords with the current rate applicable under section 22 of the *Taxation Administration Act 1996*.

GPNSW's financial liabilities, as listed at (a) above, are all non-interest bearing. Payables are all payable within 12 months (Note 11). Payable items which are out of the scope of AASB 7 "Financial Instruments: Disclosures" have been excluded from the carrying amount shown in the Statement of Financial Position. These items are GST payable and revenue in advance.

A maturity profile analysis of GPNSW's Finance Lease liabilities is presented at Note 16(c).

#### (d) 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. GPNSW's exposure to market risk is primarily through interest rate risk on GPNSW's BHP Remediation interest earning bank balance held within the NSW Treasury Banking System. GPNSW has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on profit and equity due to a reasonably possible change in risk variable is outlined below under interest rate risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which GPNSW operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the reporting date. The analysis is performed on the same basis for 2013. The analysis assumes that all other variables remain constant.

## Government Property NSW (Formerly State Property Authority)

### Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2013

(i) Interest Rate Risk

A reasonably possible change of  $\pm 1\%$  has been used, consistent with current trends in interest rates. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility. GPNSW's exposure to interest rate risk is set out below.

Interest Rate Risk - 2013	Carrying Amount \$'000	-1%		+1%	
Financial Assets		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Cash and Cash Equivalents	70,465	(705)	(705)	705	705

Interest Rate Risk - 2012	Carrying Amount \$'000	-1%		+1%	
Financial Assets		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Cash and Cash Equivalents	73,476	(735)	(735)	735	735

The above interest rate sensitivity analysis has been performed on the assumption that all other variables remain unchanged. No sensitivity analysis has been performed on foreign exchange risk as GPNSW is not exposed to such foreign exchange fluctuations.

(e) Fair Value

GPNSW's financial instruments are recognised at amortised cost. Because of the short term nature of GPNSW's financial assets and liabilities, the amortised cost recognised in the Statement of Financial Position approximates fair value.

## 19. BUDGET REVIEW

(a) Net Result

The net result of \$58.7 million was \$16.1 million greater than budget. This was primarily due to the following:

- a \$28.9 million increase in net gains from the disposal of Property, Plant and Equipment which resulted mainly from the sale of six owned office accommodation properties in June 2013 (Note 8(b)(v)); offset by
- an increase of \$14.2 million in net losses of which \$11.1 million related to net losses on the revaluation of Property, Plant and Equipment (Note 5).

Other net favourable variances totalling \$1.3 million included:

- a \$5.6 million reduction in Personnel Services Expense due to lower than budgeted staffing levels throughout the year and a \$4.2 million reduction in the defined benefits superannuation liability (including net actuarial gains of \$3.7 million) in respect of personnel who are members of defined benefit superannuation plans (Note 2(a)(ii));
- a net decrease of \$8.9 million in the remediation liability on Newcastle port lands previously transferred to the Newcastle Port Corporation (Note 2(f));
- a \$8.8 million reduction in Sale of Goods and Services revenue resulting mainly from the deferral of budgeted property vestings, a Government strategic decision to maintain vacant office space for future accommodation requirements and from lower fee-for-service revenue due to lower staffing levels; and
- a \$3.9 million reduction in Government capital grant receipts caused mainly by the deferral of a number of property capital works projects into 2013-14.

## Government Property NSW (Formerly State Property Authority)

### Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2013

#### (b) Assets and Liabilities

Total Assets of \$1.06 billion were \$148.3 million lower than budget. This resulted primarily from:

- a \$246.0 million decrease in Property, Plant and Equipment due to property sales (Note 8(b)(v));
- a \$68.3 million increase in Cash and Cash Equivalents due mainly to land remediation payments being lower than original estimates provided by the Hunter Development Corporation combined with net increases in Payables (Note 19(c)); and
- a \$28.9 million increase in receivables due mainly to increases in Makegood Costs Recoverable and Finance Lease Receivables.

Total Liabilities of \$338.7 million were \$97.5 million greater than budget primarily due to:

- a \$59.8 million increase in Payables which includes \$32.3 million payable to the Crown Finance Entity (relating to the 30 June 2013 equity transfer of land remediation liability - Note 13(b)(i)(a)), and \$8.4 million in cash received in advance for agency property acquisitions;
- a net \$10.7 million increase in Land Remediation Provision due mainly to lower than projected payments during 2012-13 combined with revised estimates advised by the Hunter Development Corporation in June 2013; and
- an aggregated increase of \$27.1 million in other Provisions and Other Liabilities due mainly to increases in Makegood Restoration liabilities (which are offset in Receivables) and Personnel Services (unfunded superannuation) liabilities over the original budget.

#### (c) Cash Flows

Closing Cash and Cash Equivalents was \$68.3 million greater than budget. This resulted mainly from:

- a \$28.2 million increase in opening cash due to land remediation payments in 2011-12 being lower than the initial estimates provided by Hunter Development Corporation during the finalisation of the 2012-13 budget;
- an additional \$33.7 million increase in land remediation cash due mainly to land remediation payments during 2012-13 being lower than the original cash flow estimates provided by the Hunter Development Corporation; and
- a total of \$9.2 million in advance payments received from other government agencies.

## 20. EVENTS AFTER THE REPORTING PERIOD

#### (a) Adjusting Events

There are no known events after the reporting period which would give rise to a material impact on the reported results or financial position of GPNSW as at 30 June 2013.

#### (b) Non-Adjusting Events

*Owned and Leased Office Accommodation Property Vesting and Property Divestments* – Pursuant to the recommendations of the Government's Property Asset Utilisation Taskforce and subsequent Premier's Memorandum M2012-20, further divestments of various GPNSW owned properties, in addition to the ongoing vesting of Government agency owned and leased properties is likely to occur in separate tranches during 2013-14. As the identification and validation of these properties was still in progress at the reporting date, estimates of the financial impact on GPNSW's accounts in 2013-14 are not available.

*Sale of Sir Stamford Hotel Site, Macquarie St, Sydney* – On 12 July 2013, GPNSW exchanged contracts for the sale of the Sir Stamford Hotel site at 93-97 Macquarie Street, Sydney for \$14.1 million. Settlement is scheduled to occur in September 2013.

There are no other known non-adjusting events after the reporting period.

**End of Audited Financial Statements**

## STATUTORY AND STATISTICAL INFORMATION

### CHIEF EXECUTIVE OFFICER

**Brett Newman**, MBA (Distinction), LL.M, LL.B, B.Ec.

SES Level 7 - \$358,650

Brett Newman was appointed Chief Executive Officer of Government Property NSW on 29 April 2013

### PERFORMANCE REVIEW BY MINISTER FOR FINANCE AND SERVICES

The Director-General of the Department of Finance and Services and the Chief Executive Officer have signed a performance agreement outlining specific performance criteria of the position. The Chief Executive Officer's performance will be assessed against these criteria annually.

#### 2012-13 Highlights:

- Provided leadership in the implementation of the government's Property Asset Utilisation Taskforce (PAUT) recommendations to reform asset management across government and develop an integrated model for asset management and surplus property disposal
- Completed, in conjunction with the Office of Finance, the sale of seven commercial office buildings in Sydney and regional NSW, for \$405 million
- Directed the resolution of accommodation options for central government, in particular for ministers and their staff, the Department of Premier and Cabinet and NSW Treasury
- Continued the implementation of the government's Decade of Decentralisation policy on office accommodation
- Provided strategic advice to government on divestment opportunities across NSW government agencies
- Developed a restructure plan and engaged staff in building a culture of performance, innovation and service within Government Property NSW
- Oversaw the completion of the GPNSW program of work for the year, including:
  1. The vesting of owned and leased property assets under the government's policy for the centralised ownership and management of office accommodation
  2. Agency portfolio reviews and regional studies to identify improvements in agency property management outcomes and better alignment of property assets with agency service delivery needs.
  3. The surplus asset sales program, achieving almost \$10 million from the sale of surplus government assets.
  4. The \$22 million capital refurbishment program for 2012-13.

Other Senior Executive staff include:

- **Barry Douse**, EMPA, BA (Hons), GAICD, General Manager SES Level 5, \$261,375 (resigned 26 April 2013)
- **Lindsay Haraldson**, Dip. Bus. REM, FAPI, MAICD, A/Executive Director, Portfolio Management, SES Level 3. Acting from 9 August 2010.
- **Simon Furness**, MBA, BSc (Hons), GAICD, Executive Director, Divestments, Acquisitions and Development, SES Level 3.
- **Vince Spanhel**, Dip. Bus. REM, A/Executive Director, Planning and Strategy, SES Level 3. Acting from 9 August 2010.

#### REQUIREMENTS ARISING FROM EMPLOYMENT ARRANGEMENTS

During the reporting period, all staff of both Government Property NSW and the former State Property Authority were employed by the Department of Finance and Services.

Following is a summary of the workforce profile and other information.

#### WORKFORCE PROFILE 2012-13\*

Category	2008-09	2009-10	2010-11	2011-12	2012-13
Senior Executive Service	4.0	3.0	4.0	4.0	4.0
Corporate Management	17.8.	17.8	15.8	15.8	8
Property Management	64.8	66.8	89.0	104.0	100.62
<b>TOTAL</b>	<b>86.6</b>	<b>87.6</b>	<b>108.8</b>	<b>123.8</b>	<b>112.62</b>

\*As at 30 June 2013. Excludes permanent employees of other agencies seconded to GPNSW, contractors and consultants.

SES Profile	2010-11		2011-12		2012-13*	
	Male	Female	Male	Female	Male	Female
SES 7					1	
SES 5	1		1		1	
SES 3	3		3		3	
<b>Total</b>	<b>4</b>		<b>4</b>		<b>4</b>	

\*One SES Level 5 position to April 26 2013. One SES Level 7 position from 29 April 2013.

### EXCEPTIONAL MOVEMENTS IN WAGES, SALARIES OR ALLOWANCES

The Crown Employees (Public Sector – 2008) Award was varied on 29 June 2012 to provide for salary increases of 2.5%, effective from the first pay period commencing on or after 1 July 2012.

The Statutory and Other Office Remuneration Tribunal (SOORT) awarded a 2.5 % increase to the remuneration packages of Chief Executive (CES) and Senior Executive Service (SES) effective 1 October 2012.

### PERSONNEL POLICIES AND PRACTICES

No new personnel policies and procedures were developed during 2012-13, due to the establishment of Government Property NSW.

### EQUAL EMPLOYMENT OPPORTUNITY\*

EEO Group	Benchmark Target	2009-10	2012-13
Women	50%	34%	33%
Aboriginal people & Torres Strait Islanders	2.6%	-	0.9%
People whose first language was not English	19%	13%	14%
People with a disability	12%	-	1%
People with a disability requiring work-related adjustment	7%	-	0.9%

\*GPNSW is only required to report triennially on Equal Employment Opportunity policy

### INDUSTRIAL RELATIONS POLICIES AND PRACTICES

During the financial year, GPNSW was represented on the Department of Finance and Services' Consultative Committee by a representative of the Housing and

Property Group. The PSA and APSEMA are also members of the committee. Meetings were held every two months during the reporting period. In 2012-13 there were no related industrial disputes or industrial lost time.

During the reporting period, both the former State Property Authority and Government Property NSW were governed by the policies and procedures of the Department of Finance and Services (DFS).

Broader DFS policies are being adopted by GPNSW as they are standardised and rolled out department-wide. In 2012-13, the Human Resources functions of Recruitment, Induction, Training and Development, and Payroll were managed by DFS, to reflect the centralised corporate services model under the agency cluster. Workplace Health and Safety was also managed by DFS until the appointment, on 25 March 2013, of a Work Health Safety Manager.

Property Group. The PSA and APSEMA are also members of the committee. Meetings were held every two months during the reporting period. In 2012-13 there were no related industrial disputes or industrial lost time.

## PRINCIPAL GOVERNING LEGISLATION

Government Property NSW operates under the following principal legislation:

- Government Property NSW Act 2006
- Public Finance and Audit Act 1983

## CHANGES IN LEGISLATION

An amendment to the Environmental Protection and Assessment Amendment Act 2012 (Schedule 2.8) amended the State Property Authority Act 2006 to change the name of the State Property Authority to Government Property NSW; make provision for the register of government property; and to require Government Property NSW to keep that register.

Four Orders under the GPNSW Act were notified in the 2012-13 Financial Year to transfer a total of 37 land parcels and 33 leases from government agencies to GPNSW in accordance with Premier's Memoranda 2008-06 and 2012-20. The property transfers were effected from the following agencies for the purposes of on-going management or to facilitate disposal.

- Department of Attorney General and Justice
- Department of Education and Communities
- Department of Family and Community Services
- Department of Finance and Services
- Ministry of Health
- Department of Trade and Investment, Regional Infrastructure & Services
- Department of Transport

## DISABILITY PLANS

GPNSW has a strong commitment to creating an inclusive working environment for people with a disability.

The Disability Action Plan 2010-12 continued to assist staff and clients with a disability in key areas such as access, information about services, employment and learning and development opportunities.

Some of the key achievements included:

Interagency Initiatives

Ready, Willing and Able

The Department is a strong supporter of the *Ready, Willing and Able* (RWA) program initiated by the Department of Family and Community Services and has employed two staff members with a disability within Corporate Services.

Events and Celebrations

- GPNSW celebrated the International Day of People with Disability, with Paralympian Alexandra Green, Bronze medal winner in Cycling at the London Paralympics in 2012. This event was compered by a DFS staff member with a disability and was attended by GPNSW and DFS staff, including senior management.
- GPNSW attended the breakfast launch of *National Week of Deaf People 2012* organised by the Deaf Society at the Parliament House.

Staff initiatives

- Several GPNSW staff were trained in 'Auslan - Sign Language' and others were provided with awareness training. Further staff training in Auslan will be provided.

## PUBLIC INTEREST DISCLOSURE

For the period July 2012 to June 2013, no Government Property NSW officials made public interest disclosures.

As staff are employees of the Department of Finance and Services (DFS), Government Property NSW adopted and adhered to the DFS Fraud and Corruption Internal Reporting Policy.

All staff were advised of this policy by means of an introduction by the Director-General of DFS via a podcast, brochures and training of senior management and nominated disclosure officers. Further training is planned for remaining staff in the future.

### **CREDIT CARDS**

In 2012-13 credit card usage within GPNSW was mainly limited to claimable work- related travel expenses and expenditure for minor purchases where the use of credit cards is a more efficient means of payment.

In accordance with Treasurer's Direction 205.01, credit card usage by officers of GPNSW during the reporting period was in accordance with relevant Government policy, Premier's Memoranda and Treasurer's Directions. GPNSW has in place a corporate credit card policy that meets NSW Treasury guidelines.

### **CONSUMER RESPONSE**

GPNSW does not deliver front line services to the community. However, mechanisms are in place for its client government agencies to provide feedback via the GPNSW Helpdesk facility as well as online at [gphelpdesk@property.nsw.gov.au](mailto:gphelpdesk@property.nsw.gov.au).

In 2012-13 the Helpdesk continued as the central service point for agency property management issues. GPNSW has ensured that property management issues through this facility are dealt with appropriately and with a high degree of client satisfaction.

GPNSW also gauges client response to its service delivery through its annual Tenant Satisfaction Survey, aimed at achieving superior customer service and enhancing its service delivery.

### **MULTICULTURAL POLICIES AND SERVICES PROGRAM**

Government Property NSW is covered by the Department of Finance and Services Multicultural Policies and Services Program Plan 2010-2014, which ensures that the DFS delivers services to clients and staff from culturally and linguistically diverse (CALD) backgrounds and is compliant with the NSW Government's Multicultural Planning Framework.

In 2012-13, GPNSW staff joined the program for Harmony Day: 'Many Stories - One Australia'. The program included: Sign N Sing Korean dance; Henna application on hands; Peacock dance performance; as well as information about voluntary work for children in Kenya and for people with intellectual disability.

GPNSW also ensures that international symbols and signs are applied whenever government buildings are occupied or upgraded.

### **PRIVACY MANAGEMENT**

GPNSW's principal clients are other Government agencies. The information collected and retained by GPNSW generally does not come within the definition of personal information under the *Privacy and Personal Information Protection Act 1998 (PPIP Act)*. In 2012-13 GPNSW did not receive any applications for Internal Review under the PPIP Act. The Privacy Statement, Privacy Policy and information on the lodgement of complaints are available on the GPNSW website at [www.property.nsw.gov.au](http://www.property.nsw.gov.au).

## PAYMENT OF ACCOUNTS

The table below highlights GPNSW's account payment performance for 2012-13.

<b>ACCOUNT PAYMENT PERFORMANCE 2012-13</b>	<b>1ST QTR</b>	<b>2ND QTR</b>	<b>3RD QTR</b>	<b>4TH QTR</b>	<b>TOTAL</b>
<b>ALL SUPPLIERS</b>					
<b>Value of Invoices Paid (\$'000)</b>					
Paid Before Due Date	112,588	117,313	111,364	134,397	<b>475,662</b>
<30 Days Past Due Date	2,157	882	1,789	1,520	<b>6,348</b>
>30<60 Days Past Due Date	192	153	633	393	<b>1,371</b>
>60<90 Days Past Due Date	25	50	41	25	<b>141</b>
>90 Days Past Due Date	291	101	62	25	<b>479</b>
<b>Total Value of Invoices Paid (\$'000)</b>	<b>115,253</b>	<b>118,499</b>	<b>113,889</b>	<b>136,360</b>	<b>484,001</b>
<b>% Paid on Time - By Value</b>	<b>98%</b>	<b>99%</b>	<b>98%</b>	<b>99%</b>	<b>98%</b>
<b>Number of Invoices Paid</b>					
Paid Before Due Date	7,900	8,886	8,884	9,702	<b>35,372</b>
Paid Past Due Date	651	353	401	265	<b>1,670</b>
<b>Total Number of Invoices Paid</b>	<b>8,551</b>	<b>9,239</b>	<b>9,285</b>	<b>9,967</b>	<b>37,042</b>
<b>% Paid on Time - By Number</b>	<b>92%</b>	<b>96%</b>	<b>96%</b>	<b>97%</b>	<b>95%</b>
<b>Interest Paid <sup>(1)</sup></b>					
Number of Payments for Interest on					
Overdue Invoices	-	-	-	-	-
Interest Paid on Overdue Invoices	-	-	-	-	-
<b>SMALL BUSINESS SUPPLIERS</b>					
<b>Value of Invoices Paid (\$'000)</b>					
Paid Before Due Date	243	423	62	494	<b>1,222</b>
<30 Days Past Due Date	9	15	1	-	<b>25</b>
>30<60 Days Past Due Date	-	-	-	5	<b>5</b>
>60<90 Days Past Due Date	-	-	-	-	<b>-</b>
>90 Days Past Due Date	-	-	-	6	<b>6</b>
<b>Total Value of Invoices Paid (\$'000)</b>	<b>252</b>	<b>438</b>	<b>63</b>	<b>505</b>	<b>1,258</b>
<b>% Paid on Time - By Value</b>	<b>96%</b>	<b>97%</b>	<b>98%</b>	<b>98%</b>	<b>97%</b>
<b>Number of Invoices Paid</b>					
Paid Before Due Date	52	95	55	101	<b>303</b>
Paid Past Due Date	11	7	1	2	<b>21</b>
<b>Total Number of Invoices Paid</b>	<b>63</b>	<b>102</b>	<b>56</b>	<b>103</b>	<b>324</b>
<b>% Paid on Time - By Number</b>	<b>83%</b>	<b>93%</b>	<b>98%</b>	<b>98%</b>	<b>94%</b>
<b>Interest Paid <sup>(1)</sup></b>					
Number of Payments for Interest on					
Overdue Invoices	-	-	-	-	-
Interest Paid on Overdue Invoices	-	-	-	-	-

For all suppliers, the percentage of invoices paid on time for 2012-13 averaged 95% by number and 98% by value (86% and 97% respectively in 2011-12). The majority of payment delays experienced by GPNSW are process related and are mainly due to the logistical difficulties in securing certifications on

services provided to properties which are spread across NSW.

During 2012-13, GPNSW implemented a number of system and procedural changes, both internally and with its services providers (FiveD and DTZ), in an effort to ensure that all invoice payments can be made within the 30 day requirement.

As a result of these changes, a significant improvement in overall payment performance was achieved. With the eventual full implementation of electronic scanning and distribution of AP invoices, further sustained improvements are targeted over the next 12 to 18 months. For 2013-14, GPNSW is targeting payment performance in excess of 95%.

Out of the total number of invoices paid during 2012-13, 0.87% (or 0.26% by value) was paid to small business suppliers. Of these, 94% by number and 97% by value were paid on time. GPNSW was not required to pay any penalty interest on overdue small supplier invoices during 2012-13.

## CONSULTANTS

GPNSW engages consultants to augment existing expertise and resources. During 2012-13, GPNSW obtained the following consultancy services:

2012-13 CONSULTANCIES PROJECTS/CATEGORIES	CONSULTANTS	TOTAL COST \$
<b>GREATER THAN \$50,000:</b>		
<b>Project Title</b>	<b>Consultant Name</b>	
Nil	n/a	-
<b>LESS THAN \$50,000:</b>		
<b>Category</b>	<b>Number of Consultants</b>	
Property	8	109,308
Other	8	90,576
<b>TOTAL CONSULTANCIES</b>		<b>199,884</b>

## RISK MANAGEMENT AND INSURANCE

In the reporting period, Government Property NSW was insured with the Treasury Managed Fund, which is managed by the NSW Self Insurance Corporation

During 2012-13 the department had in place an Audit and Risk Committee (ARC), compliant with NSW Treasury's Internal Audit and Risk Management Policy for the NSW Public Sector (TPP09-05).

This committee met six (6) times to oversee financial reporting, internal control systems, risk management, corruption prevention, compliance systems and other regulatory requirements, and the internal and external audit functions.

Administrative support for the ARC was provided by the Department of Finance and Services.

Generally, the ARC discussed the following issues:

- Divestment of properties
- Decade of Decentralisation
- Reviewed and commented on Internal Audit Reports relating to GPNSW (and former State Property Authority – SPA)
- Monitored implementation of internal audit recommendations.

- Remediation costs of contaminated land at Newcastle. Agreement between Treasury and Crown Finance Entity (CFE) that all liability will pass from GPNSW to CFE
- Financial statements – had separate meetings to review soft close and hard close of financial statements and a meeting to approve financial accounts for 2012-13
- NSW Audit Office reports and recommendations
- The PAUT Report resulting in GPNSW replacing SPA
- Government Property Register to be managed by GPNSW going forward
- Office of Finance was invited to attend the meeting to brief the Committee on the sale and leaseback transactions on seven properties
- Risk management maturity assessment of GPNSW by SunCorp Risk Services
- Implementation of internal audit recommendations

#### **INTERNAL AUDIT AND RISK MANAGEMENT STATEMENT**

I, Brett Newman, am of the opinion that the Audit and Risk Committee for Government Property NSW is constituted and operates in accordance with the independence and governance requirements of the Public Finance and Audit Act (where relevant) and/or Treasury Circular NSW TC 09/08. The Chair and Members of the Audit and Risk Committee are:

- Mr Jon Isaacs, Independent Chair (period of appointment 31 October 2011 to 31 October 2015)
- Mr Ken Barker, Independent Member (period of appointment 31 October 2011 to 31 October 2014)
- Ms Cristina Cifuentes, Independent Member (period of appointment 30 January 2012 to 30 January 2015)

These processes provide a level of assurance that enables the senior management of the Authority to understand, manage and satisfactorily control risk exposures.



Brett Newman  
Chief Executive Officer  
Government Property NSW  
30 September 2013

## OCCUPATIONAL HEALTH AND SAFETY

Government Property NSW appointed a Work Health and Safety Manager on 25 March 2013. The Work Health and Safety Manager established both a Health and Safety Committee to manage WHS issues and an Executive Health and Safety Committee for issues requiring escalation.

Specific Work Health and Safety initiatives during 2012-13 included:

- continued implementation of a corporate influenza vaccination program for all staff and contractors employed by the organisation
- maintenance of effective workplace injury management processes with the Department of Finance and Services
- referral of staff to the outsourced provider of the employee assistance program
- maintenance of accredited First Aid Officers with payment of requisite First Aid allowances.

## WASTE REDUCTION AND PURCHASING POLICY

GPNSW remains committed to achieving the objectives of the NSW Government Waste Reduction and Purchasing Policy. This includes minimising waste, increasing resource recovery and utilising recycled content materials where cost and performance competitive.

Although GPNSW is a relatively small agency, we play a significant role in reducing the “environmental footprint” of NSW Government office accommodation. We continue to implement and improve resource efficiency measures across the owned and leased portfolios as outlined below:

### Owned properties:

- Contractors undertaking refurbishment works must implement and periodically report on waste minimisation and management measures including:

- recycling and diverting from landfill surplus soil, rock, and other excavated or demolition materials, wherever practical;
- separately collecting and streaming quantities of waste concrete, bricks, blocks, timber, metals, plasterboard, paper and packaging, glass and plastics, and offering them for recycling where practical.
- Client agencies are provided cleaning, waste collection and recycling services such as collection of co-mingled wastes, paper and cardboard wastes. These services assist client agencies to achieve their resource recovery objectives.
- A new waste management strategy implemented at the McKell Building in Sydney during 2012 increased resource recovery within our largest owned office. GPNSW intends to use this as a model for improving waste management practices across other properties.
- Carpet tiles are routinely used for re-carpeting projects. Carpet tiles provide a number of resource efficiency benefits, including: damaged or worn tiles can be replaced individually when needed; product stewardship schemes increasingly facilitate end-of-life reuse and recycling; leading carpet tile manufacturers are making considerable advances in the use of recycled content and low-impact materials.

### Leased properties:

- GPNSW continues to negotiate the inclusion of Green Lease Schedules for new and renegotiated leases in accordance with the NSW Sustainability and National Green Lease Policies. Although GPNSW does not directly influence cleaning and waste collection practices within leased properties, Green Lease Schedules encourage collaboration between tenants and owners to maximise diversion of wastes from landfill where reasonably practicable.

## GOVERNMENT INFORMATION (PUBLIC ACCESS) ACT 2009

### Open Access Information

A full list of publicly available government information held by Government Property NSW that is freely available and general information regarding the lodgement of applications for access under the *Government Information (Public Access) Act 2009* is available at [www.property.nsw.gov.au](http://www.property.nsw.gov.au).

### Applications received

During 2012-13, GPNSW (and the former State Property Authority) received no new applications for access to information under the *Government Information (Public Access) Act 2009*.

### Applications refused

Not applicable, as no applications received.

## Statistical information – Government Information (Public Access Act 2009)

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	-	-	-	-	-	-	-	-
Members of Parliament	-	-	-	-	-	-	-	-
Private sector business	-	-	-	-	-	-	-	-
Not for profit organisations or community groups	-	-	-	-	-	-	-	-
Members of the public (application by legal representative)	-	-	-	-	-	-	-	--
Members of the public (other)	-	-	-	-	-	-	-	-

	Access granted in full	Access granted in part	Access refused in full	Info. not held	Info. already available	Refuse to deal with application	Refuse to confirm/deny info. held	Application withdrawn
Personal information applications*	-	-	-	-	-	-	-	-
Access applications (other than personal information applications)	-	-	-	-	-	-	-	-
Access applications that are partly personal information applications and partly other	-	-	-	-	-	-	-	-

Reason for invalidity	No of applications
Application does not comply with formal requirements (section 41 of the Act)	-
Application is for excluded information of the agency (section 43 of the Act)	-
Application contravenes restraint order (section 110 of the Act)	-
Total number of invalid applications received	-
Invalid applications that subsequently became valid applications	-

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

<b>Table D (continued)</b>	
Excluded information	-
Documents affecting law enforcement and public safety	-
Transport safety	-
Adoption	-
Care and protection of children	-
Ministerial code of conduct	-
Aboriginal and environmental heritage	-

<b>Table E: Other public interest considerations against disclosure: matters listed in table to section 14 of Act</b>	
	<b>Number of occasions when application not successful</b>
Responsible and effective government	-
Law enforcement and security	-
Individual rights, judicial processes and natural justice	-
Business interests of agencies and other persons	-
Environment, culture, economy and general matters	-
Secrecy provisions	-
Exempt documents under interstate Freedom of Information legislation	-

<b>Table F: Timeliness</b>	
	<b>Number of applications</b>
Decided within the statutory timeframe (20 days plus any extensions)	-
Decided after 35 days (by agreement with applicant)	-
Not decided within time (deemed refusal)	-
Total	-

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

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

### **Access arrangements, procedures and points of contact**

Enquiries on matters regarding access to information under the *Government Information (Public Access) Act 2009* may be directed to:

The Government Information Coordinator  
 Government Property NSW  
 Level 9, Bligh House  
 4-6 Bligh Street  
 SYDNEY NSW 2000

GPO Box 5341 Sydney NSW 2001

Telephone: (02) 9273 6701  
 Facsimile: (02) 9273 3911  
 Email: [tony.booth@property.nsw.gov.au](mailto:tony.booth@property.nsw.gov.au)

Telephone inquiries may be made between the hours of 9:00 am and 5:00 pm Monday to Friday.

GPNSW policy on access to government information under the *Government Information (Public Access) Act 2009* is available on the GPNSW corporate website at [www.property.nsw.gov.au](http://www.property.nsw.gov.au), which outlines the types of documents available, access arrangements, fee structures and applicants' rights of appeal.

## Charges for access

Nature of Application	Application Fee	Processing
Access to information/records – other requests	\$30.00*	\$30.00 an hour after first hour*
Internal review of a reviewable decision	\$40.00	Nil

\* A 50 per cent reduction in processing fees may apply if the applicant suffers financial hardship or if there is deemed to be a special public benefit to the public generally. There is no 50 per cent reduction in the application fee. The applicant receives an extra hour of processing before processing fees start.

## EXEMPTIONS AND NIL REPORTS

Government Property NSW is exempt from reporting on the following matters for the reasons outlined below:

REPORTING REQUIREMENT	REASON FOR EXEMPTION
Funds granted to Non-Government Organisations	GPNSW did not make any grants to any non-government community organisations during the reporting period
Research and Development	No research and development activities were undertaken during 2012-13
Disclosure of Controlled Entities	GPNSW does not control any entities of the kind referred to in section 39 (1A) of the Public Finance and Audit Act 1983
Disclosure of Subsidiaries	GPNSW does not control or hold shares in any subsidiaries within the meaning of the Corporations Act 2001 (Cth.)
Land disposals	GPNSW did not dispose of any land other than by public tender which was valued at more than \$5m during 2012-13
Agreements with the Community Relations Commission	GPNSW does not have any agreements with the Community Relations Commission under the Community Relations Commission and Principles of Multicultural Act 2000
Investment Performance	All GPNSW investment powers are in accordance with Part 1 of Schedule 4 of the Public Authorities (Financial Arrangements) Act 1987. However, all cash reserves are held in Treasury Banking System (TBS) bank accounts.
Implementation of Price Determination	GPNSW is not subject to determinations or recommendations of the Independent Pricing and Regulatory Tribunal of NSW.
Promotion	The clients of GPNSW are other NSW Government agencies. No GPNSW staff undertook overseas travel to promote or develop the business.

## AVAILABILITY OF THE 2012-13 ANNUAL REPORT

In keeping with Premier's Memorandum M2013-09 Production Costs of Annual Reports, this annual report has been produced and printed in-house by GPNSW. Printed copies have been kept to a minimum and digital copies have been distributed to relevant agencies.

It is also available on the GPNSW website [www.property.nsw.gov.au](http://www.property.nsw.gov.au) and a digital copy has been provided to State Records.

## AGENCY CONTACTS

Postal Address:

GPO Box 5341 SYDNEY NSW 2001

Street Address:

Level 9, 4-6 Bligh St, SYDNEY NSW 2000

Business hours:

9.00am to 5.00pm Monday to Friday

Key Contact details:

Switchboard: (02) 9273 3800

Fax: (02) 9273 3911

Email: [gpheldesk@property.nsw.gov.au](mailto:gpheldesk@property.nsw.gov.au)

Government Information Coordinator: (02) 9273 6701

Date of publication: 31 October 2013

ISSN 1835-3983 (Print)

1835-3985 (online)

## EXTERNAL PRODUCTION COSTS

No external costs were incurred in the production of this annual report.

## INDEX

### A

Aims and objectives 4  
Audited financial information 27  
Availability of the Annual Report 74

### C

Changes in legislation 63  
Charter 4  
Chief Executive Statement 2

Consultants 66  
Consumer response 64  
Contact details 74

### D

Disability plans 63  
Divestment, Acquisitions & Development 11

### E

Equal Employment Opportunity 62  
Exceptional movements in wages, salaries or allowances 62  
Exemptions and Nil Reports 73  
External production costs 74  
External impacts on performance 18

### F

Financial performance 19

### G

Government Information Public Access 69

### I

Independent Audit Outcome 23  
Industrial Relations policies and practices 62

### K

Key performance indicators 15

### L

Land disposal 73  
Letter of Submission 1

### M

Major works in progress 6  
Management and structure 4  
Multicultural Policies and Services Program 64

### O

Operating budget overview 22  
Operating result 21  
Operational achievements 6  
Organisation chart 5  
Overseas trips 73

### P

Payment of accounts 65  
Personnel policies and practices 62  
Planning and Strategy Unit 5  
Portfolio Management Unit 5  
Principal governing legislation 63  
Privacy management 64

### R

Requirements arising from employment arrangements 61  
Risk management and insurance 66

### S

Senior Executive staff 61  
Statutory and statistical information 60  
Sustainability strategy 9

### W

Waste reduction and purchasing policy 68  
Workforce profile 61