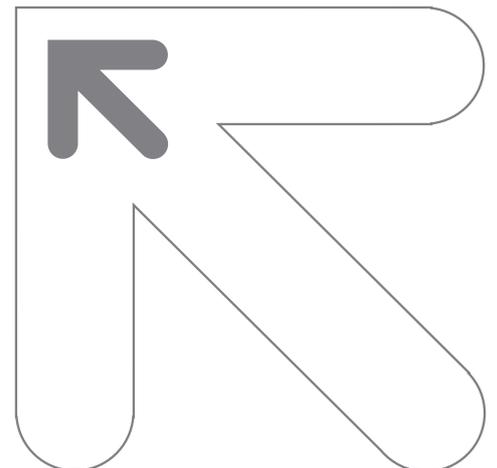




STATE PROPERTY AUTHORITY

2009-2010 ANNUAL REPORT





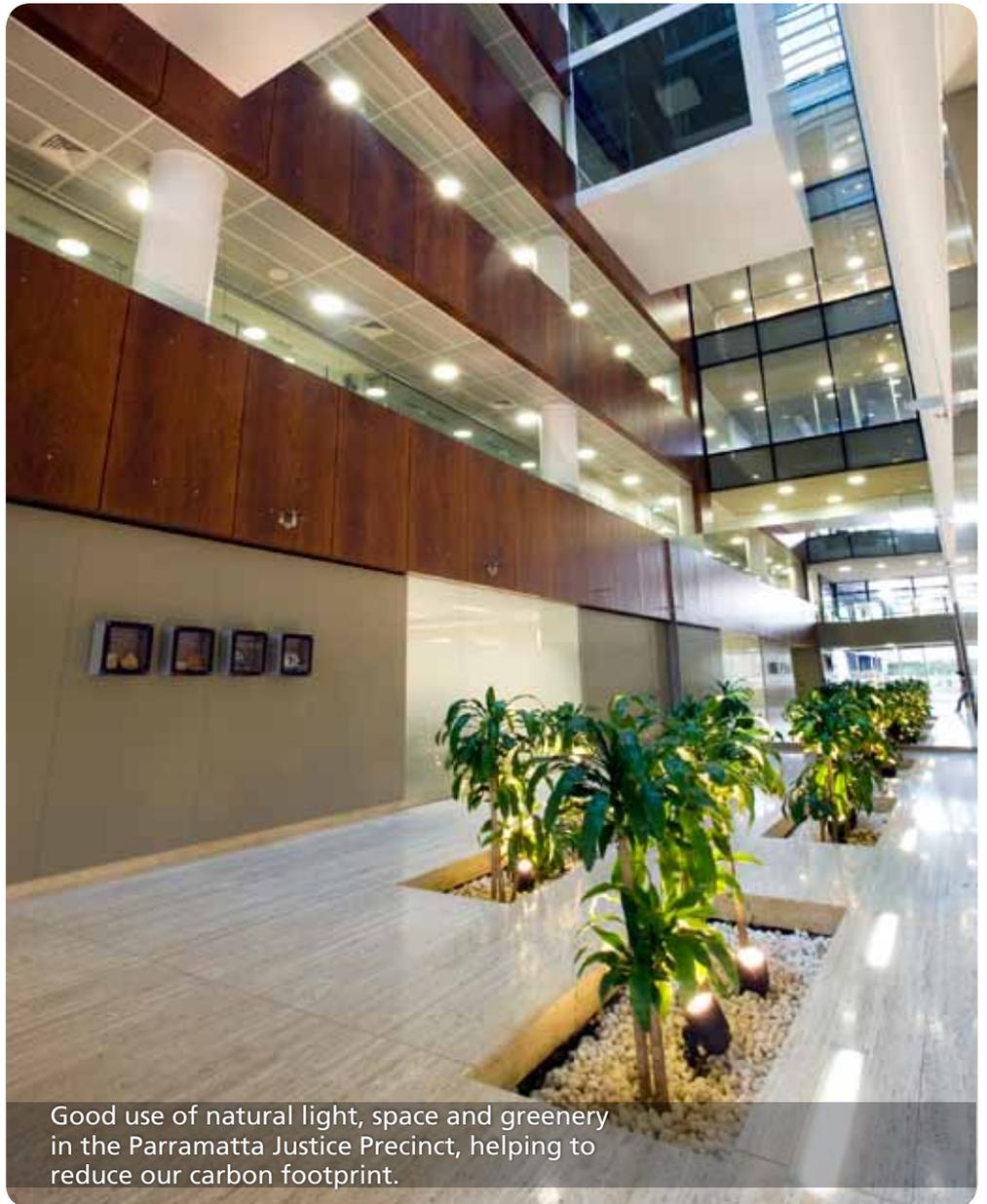
The rooftop garden at the NSW Government Office, Penrith, is a popular breakout space.



Bicycle parking facilities in buildings help to encourage healthy lifestyles and improve workplace productivity.



The Authority encourages recycling in the workplace through comingled recycling facilities.



Good use of natural light, space and greenery in the Parramatta Justice Precinct, helping to reduce our carbon footprint.

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LETTER OF SUBMISSION



The Hon Tony Kelly MLC
Minister for Planning, Minister for Infrastructure, and
Minister for Lands
Level 34, 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 the State Property Authority for the period from 1 July 2009 to 30 June 2010.

Yours sincerely

A handwritten signature in black ink that reads "Warwick Watkins". The signature is written in a cursive, flowing style.

Warwick Watkins AM
Chief Executive

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STATEMENT BY THE CHIEF EXECUTIVE

30 June 2010 marked the culmination of the Authority's first full year as a division of the Land and Property Management Authority (LPMA) which now sees all NSW land and property related agencies focused in the one area.

During this period the Authority remained firmly focussed on its mandate under the government's property policy and again delivered substantial savings and financial distributions to government.

The Authority has continued to build on its previous successes delivering over \$186 million in savings and economic benefits to government from the divestment, leasing and improved utilisation of the government's generic property assets. This was some \$105.7 million above its NSW Treasury target and builds on the \$120 million in savings and economic benefits generated in 2008-09. In addition, the Authority paid a \$32.6 million financial distribution to government, delivering on the target set by NSW Treasury.

A further measure of the Authority's 2009-10 success is its effective management of office vacancies, particularly in the highly volatile Sydney CBD market. As at 30 June 2010 only 0.06% of its 386,000 square metres of government office space was vacant. With a commercial CBD vacancy rate of 8.5% the Authority is to be congratulated on its efficient centralised management of its office properties, the minimisation of vacancies and the delivery of significant cost savings.

The Authority's program for the vesting of owned and leased government property assets has continued apace with over 228 additional assets transferring to the Authority during 2009-10, thus increasing the property portfolio to over 1.3 million square metres. On completion of the dedicated program by 30 June 2011 the expanded portfolio is expected to total over 1.4 million square metres of space under ownership.

During 2009-10 the Authority responded to the challenges of an expanded property portfolio and allocated significant resources to managing client relationships to ensure its service delivery continues to meet client needs and expectations. The Authority has now laid the foundations for a one-stop-shop client 'Helpdesk' and has broadened its communication strategy through regular client e-newsletters, property forums and scheduled meetings with property managers. Considerable effort was also directed towards its educative and advisory role under the government's Sustainability Policy as it assists client agencies to meet the government's carbon reduction targets by July 2011.

As we move forward to 2010-11 and as the Authority continues to achieve significant property reform across government, we will be working to ensure that the right legislation and policies are in place to facilitate improvements in operational efficiencies and the generation of cost savings in property management. We will seek to be innovative in our service delivery, we will examine the potential to expand our role to other asset categories and we will strive to achieve the right balance between government leased and owned property assets to achieve the most favourable economic outcomes for government. Above all we will focus on consolidating our role as the government's real property expert.

I remain firmly committed to the Authority's strategic role in the overall LPMA and I am confident we can continue to deliver coordinated, efficient and professional management of the government's property assets over 2010-11 and beyond.



Warwick Watkins AM
Chief Executive

OUR CHARTER

Established as a statutory authority in September 2006 under the *State Property Authority Act 2006*, the Authority is the NSW Government's specialist commercial real estate service provider. Its primary functions relate to the acquisition, management and disposal of property vested in the Crown and government agencies; primarily generic properties such as offices, warehouses, depots and car parks.

The Authority became a business operating within the Land and Property Management Authority in July 2009.

AIMS AND OBJECTIVES

The Authority's major focus is on the planning, acquisition and commercial management of the government's office accommodation portfolio with the aim of achieving sustainable and efficient performance that meets agencies' service delivery needs.

The Authority's objectives are embodied in the *State Property Authority Act 2006* which outlines its principal objectives as:

- improving operational efficiencies in the use of properties by government agencies
- managing properties of government agencies in ways that support the delivery of government services by agencies
- advising the government on property matters
- operating at least as efficiently as any comparable business.

With its specialist industry knowledge and expertise the Authority works closely with government agencies to manage property more effectively and efficiently and generate whole-of-government savings and economic benefits. The centralised leasing and management of the government's property assets in the Authority allows agencies to better focus on the delivery of key services to NSW communities.

The Authority reports to the Minister for Lands in the exercise of its functions. The Authority also advises the Treasurer on matters relating to the properties of government agencies and in respect of its performance against its business planning framework.

MANAGEMENT AND STRUCTURE

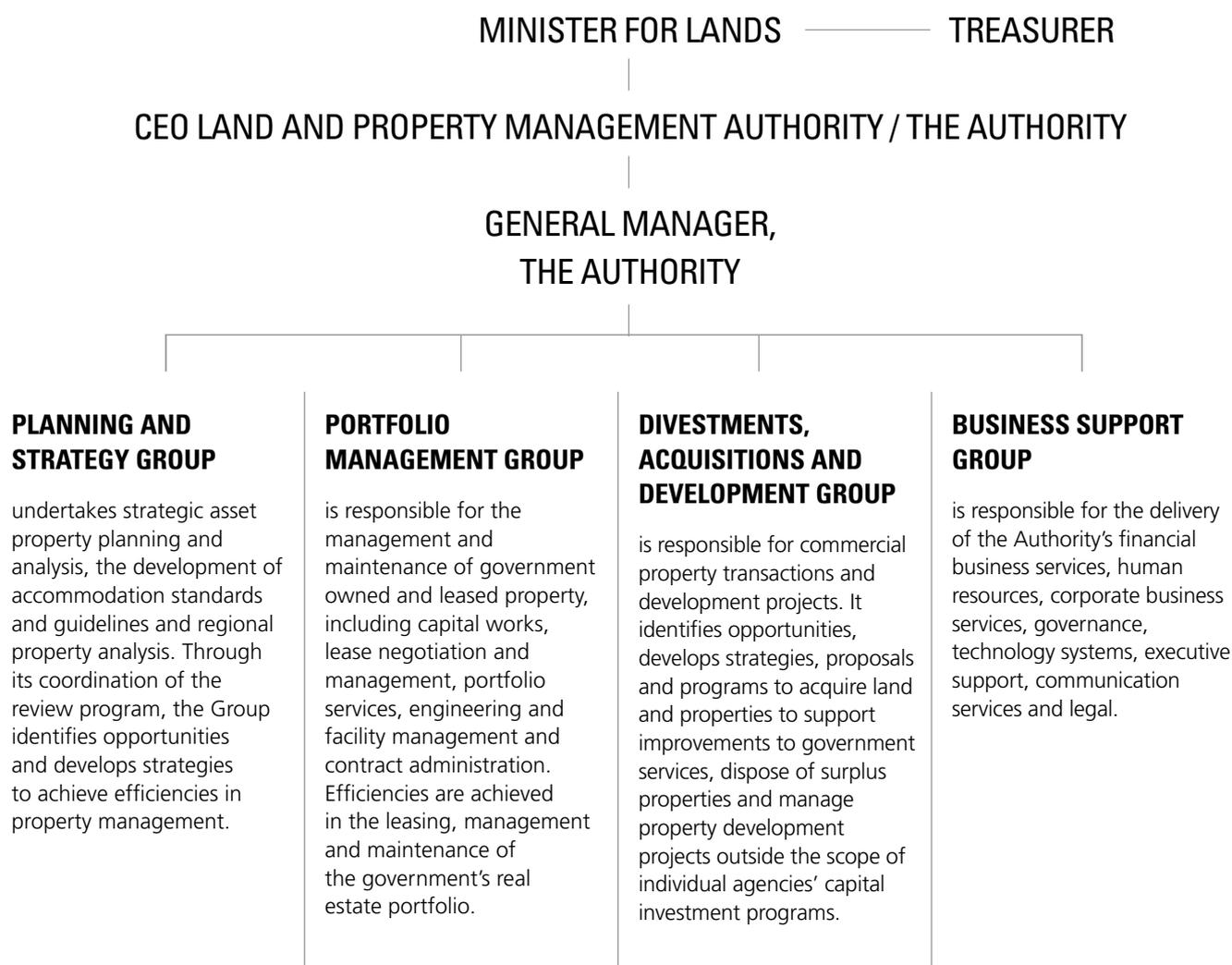
Following its amalgamation with the broader Land and Property Management Authority (LPMA) effective 1 July 2009, the senior executive of the Authority underwent restructure to reflect its new reporting arrangements as a business operating within LPMA. The Authority is now managed by a General Manager reporting to the Minister for Lands through the Chief Executive of LPMA. The Chief Executive of LPMA is also the Chief Executive of the Authority.

Under Section 11 (e), (f) and (g) of the *State Property Authority Act 2006* the Authority is also required to advise the Treasurer on matters relating to the properties of government agencies, including advice on their efficient utilisation and relevant budgetary measures.

The Authority has established a number of operational management committees relating to its core functions – the Executive Committee, Savings Monitoring Committee, Strategic IT Committee, Capital Expenditure Committee and Corporate Risk Management Committee. The Authority's Independent Audit and Risk Management Committee was dissolved following the Authority's amalgamation with LPMA with that function now falling within the scope of LPMA's Audit and Risk Committee.

The amalgamation of the Authority with LPMA also saw the abolition of the State Property Authority Advisory Board in December 2009. The Advisory Board provided strategic advice to the former Chief Executive in delivering the government's property reform program. The Advisory Board comprised the Deputy Secretary, Office of Infrastructure Management, NSW Treasury (Chair), the Director General (or nominee), Department of Premier and Cabinet and the Director General, Department of Education and Training. The Board met quarterly up to December 2009.

ORGANISATION CHART



ORGANISATIONAL OUTCOMES AND ACHIEVEMENTS

2009-10 was the first full year of the Authority's operation as a business operating within the Land and Property Management Authority (LPMA). During the year, considerable effort was directed to the Authority's integration into the broader LPMA, particularly the streamlining of services to better support its business needs and the delivery of improved services to its clients.

2009-10 also saw the Authority substantially meet or exceed the financial and non financial performance targets as set out in its Treasury endorsed Statement of Business Intent. A summary of the Authority's overall performance against Key Performance Indicators for 2009-10 is shown below.

KEY PERFORMANCE INDICATORS

KEY PERFORMANCE INDICATOR	2009-10 TARGET	2009-10 ACTUAL
Financial distribution to government	\$32.6m	\$32.6m
Capital repatriation to government	\$0.0m	\$65.1m
Whole of government savings	\$81.0m	\$186.7m
Property divestments	\$75.0m	\$105.2m
Vesting of generic assets program	50% project completion	71% project completion – 697 assets vested and under management
Management of portfolio vacancies across NSW	<1.5% of vacant space	0.46%
Agency Review Program	5 agency reviews completed	5 agency reviews completed and reported to government
Review of RailCorp property assets	80% completion	Review completed
Portfolio weighted energy and water National Australian Built Environment Rating System star ratings	4 star	3.7 energy, 3.6 water

Financial highlights included the delivery of a \$32.6 million financial distribution to government in line with the target set by NSW Treasury. A further \$65.1 million in net proceeds from the sale of Authority owned properties was also repatriated to government.

Importantly, \$186.7 million in savings and economic benefits from the divestment, leasing and improved utilisation of the government's generic property assets was delivered to government. This result, which included \$9 million in recurrent savings, was \$105.7 million above the target contained in the Authority's 2009-10 Statement of Business Intent. This savings result comes on top of \$120 million in savings and economic benefits delivered to government in 2008-09.

The Authority's performance against its savings and efficiency targets is outlined in the following table.

SAVINGS AND EFFICIENCY OUTCOMES

PROJECTED SAVINGS WHOLE OF GOVERNMENT	TARGET 2009-10 \$m	ACTUAL 2009-10 \$m	COMMENT
Recurrent savings	\$6.0	\$9.0	Savings in recurrent budget items such as reductions in budgeted rents and ongoing maintenance and outgoings for divested properties.
Capital savings	-	\$7.8	Estimated stamp duty revenue and purchases for less than budgeted acquisition costs.
Divestment savings	\$75.0	\$105.2	Net sale proceeds included proceeds from Newcastle Port land at \$75 million.
Economic benefits	-	\$64.7	Economic savings arising from items such as lower rentals compared to asking rents, co-locations, favourable sales and depreciation.
Total savings and economic benefits	\$81.0	\$186.7	

The Authority continued its strong drive to achieve operational efficiencies in the use of government office accommodation. This included the vesting of 228 government owned and leased property assets and the transitioning of 542 assets under the Authority's effective management control during 2009-10. This concentrated vesting activity saw the Authority's property portfolio grow to 1.3 million square metres as at 30 June 2010. Intensive preparatory work and detailed due diligence activity in the second half of 2010 also resulted in a further 281 owned and leased assets vested in the Authority on 16 July 2010.

Total property divestments for 2009-10 were valued at \$105.2 million, well above the target as approved by NSW Treasury. Of these proceeds \$65.1 million was returned to government as capital repatriation. Divestments included former port-related Authority held lands at Newcastle which were sold to the Newcastle Port Corporation for \$75 million. An additional 34 surplus properties were sold on behalf of other government agencies for approximately \$30 million. This compares with 19 surplus property disposals in 2008-09.

Business highlights for 2009-10 also included the completion of the government endorsed program of agency property portfolios reviews. The five agency reviews assisted in aligning agency property assets and service delivery needs and identified significant potential savings for government through more efficient use of its office properties. A major review of the property assets of RailCorp, commissioned by the government, was also completed to schedule with outcomes to be reported to RailCorp in 2010-11.

The Authority also completed the government endorsed program of Regional Studies to assist in developing recommendations on the accommodation needs of agencies delivering key government services to regional NSW, particularly critical human services. Results of the Newcastle study led to the preparation of a Preliminary Business Case and submission to the Budget Committee of Cabinet seeking approval to call for detailed proposals to establish a joint communication and service centre in the Newcastle CBD.

During 2010 significant resources were allocated to the implementation of the Sydney CBD Strategy designed to mitigate the potential financial risk to government from long

term rental pressures for CBD office space. Significantly the Authority secured Budget Committee of Cabinet approval to call for detailed proposals to secure alternative leased office accommodation for Central Government.

Preparatory work for the remediation of contaminated land at Nelson Parade, Hunters Hill continued throughout 2009-10 including the preparation of an Environmental Assessment Report and the calling for tenders from specialist remediation contractors to carry out the works. The project was supported by a program of regular residents' meetings to update the local community on the project status, and the development and distribution of a residents' newsletter.

During the reporting period the Authority completed a major review of the NSW Government Workplace Guidelines. The NSW Government Office Accommodation Design Requirements, endorsed by the Government Asset Management Committee, is designed to provide agencies with up to date information on the policies, legislation and other issues to be considered in workplace design. Information on issues including space utilisation and environmentally sustainable development will assist in reducing per square metre rental charges and contribute to meeting the performance targets under the government's Sustainability Policy. Subject to Public Sector Union endorsement, the new requirements are expected to be implemented in the first half of 2011.

As a key delivery agency for the government's Office Building Strategy under its Sustainability Policy, the Authority undertook a number of initiatives to improve the environmental performance of its office portfolio. These included air conditioning upgrades and the installation of more efficient lighting and plumbing fixtures to reduce utility consumption. The Authority's program for the energy and water rating of its owned office portfolio under the National Australian Built Environment Rating System continued throughout 2009-10 with four of the rated premises scoring five stars for water and one premise scoring five stars for energy. The development of NSW Government Green Leases during 2009-10 containing mutual building owner/tenant environmental obligations marked a significant milestone in the implementation of the Authority's Sustainability Strategy.

PLANNING AND STRATEGY GROUP

Throughout 2009-10 the Authority continued to provide advice to central government and government agencies on various property related matters. These activities included:

- reviewing agency office accommodation plans and strategies
- developing, implementing and monitoring regional asset strategies
- participating in and hosting whole of government property forums
- reviewing proposals for new and renewed leases for office accommodation
- facilitating cluster asset planning groups
- developing the Authority's Asset Strategy and forward capital works investment plan for the property portfolio under management.

In addition, considerable Planning and Strategy Group resources were committed to a number of key projects. These included:

- identifying options for Central Government's longer term office accommodation requirements
- working with relevant agencies to develop a comprehensive needs analysis for a potential emergency services joint training facility
- reviewing agency business cases justifying a Sydney CBD presence
- investigating suitable accommodation options in far west NSW for human service agencies
- consulting closely with agencies to gain commitment to a proposed joint communications centre in Newcastle.

The Authority also successfully completed its 2009-10 government endorsed Property Portfolio Review program to identify improvements in property management outcomes for agencies. Assessments were also undertaken in a number of regional centres to determine the alignment of service delivery needs and agencies' property assets.

In the first quarter of 2009-10 the Authority commenced development of its annual Total Asset Management Plan as required by NSW Treasury. The plan provides an overarching asset strategy with supporting implementation plans as a framework for asset maintenance and forward capital works.

PORTFOLIO MANAGEMENT GROUP

During 2009-10 the Portfolio Management Group undertook significant preparatory work for assuming ownership and management of an expanded property portfolio.

The Group's vesting program saw the delivery of an additional 24 government owned and 204 government leased assets vested in the Authority during the financial year. As at 30 June 2010 a total of 812 owned and leased assets had come under the Authority's effective management control, bringing the total area under Authority control to 1.3 million square metres. This included the Crown Property

Portfolio originally vested in July 2007. Detailed preparatory work and due diligence in the second half of 2010 resulted in an additional 281 owned and leased properties vested in the Authority on July 16 2010.

The Group currently provides property management services to over 80 government agencies. The substantial completion of the Vesting program by 30 June 2011 will see the ultimate vesting of around 980 government owned and leased property assets since the commencement of the program in 2008 and expansion of the property portfolio to around 1.4 million square metres.

During the reporting period the Group appointed UGL Services as its second outsourced facilities management service provider under a five year contract to ensure it has the operational capability for day-to-day facilities management of the expanded portfolio. This followed a competitive Expression of Interest and Request for Tender process. The Group, through its outsourced service providers, continued to manage the facility operations of government owned buildings throughout NSW, providing services such as cleaning, ad-hoc repairs and equipment maintenance.

During 2009-10 the Group completed 146 leasing activities including new leases, lease renewals, lease options and market rent reviews. This activity in respect of around 317,200 square metres of office space reflects the Authority's mandate under the government's property policy to undertake all agency lease negotiations within the Sydney CBD, the Greater Sydney Metropolitan Area and regional NSW. Competitive leasing arrangements negotiated by the Group's specialist leasing staff during 2009-10 assisted in generating significant savings and economic benefits for government.

The Group also managed \$12.2 million worth of capital works activity for the government property portfolio during 2009-10 including major building repairs, air conditioning upgrades and installation of lifts and disabled access facilities. The 40-year-old air conditioning system at the Grafton Government Office Building was upgraded to reduce energy costs and improve building amenity, and *Disability Discrimination Act 1992* compliant bathroom facilities were installed in government offices in locations such as Bathurst, Cobar, Grafton and Inverell. In addition, inspections were conducted on 24 newly vested assets allowing extensive capital works programs to be scheduled to ensure the government's buildings comply with building codes and statutory requirements.

25 major projects valued at over \$150,000 resulted in significant improvement in amenity for the general public and reduced energy consumption resulting in lower operational costs; 17 minor projects valued from \$20,000 to \$150,000 supported the maintenance of building compliance with Australian Standards and Occupational Health and Safety requirements. In addition, building condition audits continued to be carried out on the Authority's owned assets as part of its ongoing building compliance program.

During 2009-10 the Authority continued in its role of contract administrator for the outsourced property services contract for the NSW Police Force property portfolio. The portfolio under management comprised of a total of 1,510

leasehold and freehold properties including 682 residential properties, 487 Police Stations and 341 other operational sites including specialist properties servicing the NSW Marine Area Command, Aviation Support Branch and the NSW Police Training College, Goulburn.

SUSTAINABILITY STRATEGY

The Authority is responsible for the environmentally sustainable performance of its property portfolio. It has also been identified as a key delivery agency in implementing the government's Sustainability Policy (Office Building Strategy) released in December 2008.

Energy and water consumption reduction projects are a core component of the Authority's Sustainability Strategy which aims to reduce the carbon footprint of government owned buildings. Initiatives undertaken during 2009-10 include air conditioning upgrades, installing more efficient light fittings and controls and installing water efficient plumbing fixtures. The upgrade of the 40-year-old air conditioning system at the Grafton Government Office Building will reduce running costs by up to 35% and deliver improved amenity to building tenants while significantly improving the building's environmental performance.

All Authority owned office buildings are subject to water and energy ratings using the National Australian Built Environment Ratings System to measure performance. During 2009-10 the Authority rated around 90,000 square metres of office space. Four office buildings scored the maximum five star ratings for water and one office scored five stars for energy, including the Penrith and Queanbeyan NSW Government Office Buildings and a government building in Grafton. This ratings strategy is supported by the integration of sustainability works into the Authority's Capital Works program and the identification of retrofit/improvement works to improve energy and water consumption.

These sustainability initiatives, together with the incorporation of environmentally sustainable design features in new office developments sees the Authority working to achieve the Government's policy targets of 4.5 stars for energy and water for offices over 1000 square metres by July 2011, where cost effective.

During 2009-10 the Authority implemented the web based Utility Information System providing building and portfolio managers with billing and smart meter data for the Authority's largest sites. This tool provides information on energy usage patterns and assists in identifying opportunities for energy savings.

The Authority also has an educative role in informing its government tenants about how they can be more environmentally sustainable at work. During 2009-10 the Authority conducted sustainability awareness forums at a number of government buildings to educate tenants on energy reduction practices and how they can contribute to the government's Sustainability Policy. It also developed and distributed the first of its regular staff sustainability newsletters in March 2010.

In accordance with the Sustainability Policy the Authority developed NSW Government Green Leases consistent with the National Green Lease Policy setting out mutual building

owner/tenant environmental obligations. These green leases incorporating green conditions are being progressively rolled out where practical and are supported with a change management and communications plan. Training for key government stakeholders is also being provided. Internally, the Authority also engaged its own staff through training, sustainability forums and the formation of an Authority Green Team comprising of staff volunteers.

From an operational perspective the Authority has now incorporated environmental performance criteria into its service and supply contracts for its owned and leased premises, including its own CBD office. Current waste and recycling practices were also reviewed across the Authority's office portfolio during 2009-10 using the recommendations from waste audits conducted at Bligh House in the Sydney CBD, and the Queanbeyan and Newcastle NSW Government Office Buildings. Details of the Authority's Waste Reduction and Recycling Policy are provided elsewhere in this report.

DIVESTMENTS, ACQUISITIONS AND DEVELOPMENT GROUP

During 2009-10 the Divestments, Acquisitions and Development Group continued to identify opportunities and develop strategies to dispose of surplus properties and to acquire land and properties for the development of government infrastructure and related projects.

In accordance with the government endorsed program for the disposal of surplus assets the Group disposed of 34 surplus government properties in the 2009-10 financial year for a total value of \$105.2 million. Disposals included the sale of the Grosvenor Centre at Summer Hill for \$5 million. As part of the process for the rationalising and future commercial development of port related land at Newcastle the Group also completed the sale of over 100 parcels of land to the Newcastle Port Corporation for \$75 million.

Throughout 2009-10 the Group continued to support the Authority's vesting program providing statutory and related titling processes associated with the vesting of 228 owned and leased properties to the Authority and the vesting of a further 281 property assets on 16 July 2010.

As part of its role to provide property acquisition services to government the Authority acquired 51 properties on behalf of the Department of Human Services NSW for \$38 million. It also acquired a number of properties related to government infrastructure projects. Acquisition projects completed during 2009-10 included:

- Epping to Chatswood Rail Link – Residue acquisitions for Transport Construction Authority
- Nemingha Public School easement for the Department of Education and Training
- Tuggerah Bus Interchange for Transport NSW
- Clarence Valley and Coffs Harbour Regional Water Supply Project for Department of Services, Technology and Administration and Clarence Valley Council.

Other projects managed by the Group during the year included:

- Peat Island
 - disposal of surplus facilities on behalf of the Department of Human Services NSW involving undertaking a range of value adding strategies, including rezoning and site improvements, aimed at maximising the development potential of the site and the overall return to government
- Orange
 - management of the approvals process for the “Bloomfield” site on behalf of Industry and Investment NSW as a staged residential subdivision and retail centre prior its disposal
- Hunters Hill
 - remediation of three government owned properties in Nelson Parade, Hunters Hill affected by a former radium processing plant which operated during the early part of last century
- Coffs Harbour
 - progressing the development of an integrated precinct including a police station, courthouse and office accommodation for government agencies at Coffs Harbour, including the development of a masterplan
- Berrys Bay
 - completion of the tender process and selection of a preferred proponent to deliver a maritime precinct at Berrys Bay.

BUSINESS SUPPORT GROUP

During 2009-10 the Authority's Business Support Group continued to provide a comprehensive range of business support services to the Authority, the General Manager, the Chief Executive and the Minister. These included human resources, business services, financial management, ministerial support, communications and legal services.

HUMAN RESOURCES

As part of the restructuring of the NSW public sector the Authority became an operational division of the new Land and Property Management Authority (LPMA) in July 2009.

This resulted in the position of Chief Executive of the Authority being replaced by a General Manager, and the implementation of revised workforce and functional arrangements to meet the Authority's expanding role in the provision and management of property services to NSW government agencies.

Recruitment and organisational structuring to meet evolving business requirements continued to be a focus during 2009-10. This activity was supplemented by additional contractor engagements to fulfil the enhanced workload associated with the vesting and initial management of government owned and leased properties.

Outcomes and achievements during the reporting period included:

- the development and implementation of new structural and functional arrangements and staffing enhancements for the Portfolio Management Group to meet the

government's property reform agenda. This included the areas of capital works and building maintenance, facility and tenancy management, energy management and sustainability, and the provision of engineering services

- workforce enhancements to the Divestments, Acquisitions and Development Group to accommodate increases in property divestments made on behalf of government agencies
- the delivery of learning and development programs including administrative, supervisory, management development and computer-based training
- the implementation and management of the Authority's Graduate Employment Program
- the provision of educational assistance for staff undertaking tertiary study programs
- the implementation of flexible work practices including home-based work and permanent part-time work opportunities.

During the 2009-10 financial year all permanent and contingent (contractor) workforce enhancements were done in the context of the government's current staffing and recruitment policies.

BUSINESS SERVICES

Throughout 2009-10 Business Services continued to provide a range of business support services to the Authority including:

- corporate governance and internal reporting, including audit and risk management, divisional reporting, insurance and compliance
- development of administrative policies and procedures
- provision of information technology and records management support
- management of internal communications services, accommodation and building security
- management of motor vehicle fleet, computer hardware, asset management and office equipment procurement
- contract administration of agreements with outsourced business and corporate service providers.

BUSINESS FINANCIAL SERVICES

During 2009-10 the Authority's Business Financial Services provided a comprehensive range of management, financial and transactional accounting services for the Authority's property management operations. These services included annual financial statement preparation, budget development, management and statutory reporting, taxation accounting, accounts payable, accounts receivable, cash management, banking and financial systems administration.

Major outcomes and achievements during the reporting period included the:

- development of the Authority's 2010-11 financial plan and consolidated budget, incorporating estimates for the ongoing program for vesting of new owned and leased property
- coordination, setup and input into the Authority's Management Reports International (MRI) property management system of landlord and tenant details for

more than 500 leases associated with tranches 4 and 5 of the Authority's ongoing property vesting program

- continued development of the Authority's MRI property management system accounting modules to provide enhanced property accounts receivable, billing, project costing, general ledger and financial performance reporting functionality. Specific achievements in 2009-10 included:
 - the setup and implementation of the Job Cost module for improved efficiencies in the management, billings and progress reporting on client jobs and capital works projects
 - the development and implementation of a direct debit process within the Commercial Management module to facilitate more timely rental income cash flows and improved aged debtors management
 - enhancements to the interfacing of the head lease payments functionality between the Commercial Management and Accounts Payable modules to improve efficiencies in the monthly payments and reconciliation process
 - the scoping and development of improved purchase order module functionality to automate critical workflow processes around the approval, raising and acquittal of work orders and to facilitate future integration with the Authority's facility management Helpdesk software. The module improvements also incorporate improved reporting functionality for recurrent and capital commitments.
- implementation of the Asset4000 asset register software to enhance the recording of the Authority's property and equipment assets and to facilitate integrated financial calculations surrounding asset/sub-asset relationships, componentisation, revaluations, acquisitions, disposals and depreciation
- establishment of the Authority's Capital Expenditure Committee to monitor, review and report on progress of the commitment and expenditure of funds against the Authority's approved Capital Program.

MAJOR WORKS IN PROGRESS

Remediation of the former Radium Hill Company site at Hunters Hill progressed major project milestones, including the appointment of an environmental consultant to prepare planning approval documentation. Tenders were sought from selected companies to undertake the remediation works following a public Expression of Interest. Australian Nuclear Science and Technology Organisation was engaged to complete all further soil sampling and analysis, the provision of safe work methods and air monitoring requirements for the remediation works.

It is intended that the cost of the project will be offset by the sale of the properties.

Oversight of the project has continued through an expert panel of government and private sector representatives. There were no cost overruns or delays experienced during 2009-10.

EXTERNAL IMPACTS ON ORGANISATIONAL PERFORMANCE

The impact of the Global Financial Crisis on the commercial property market has been significant and has seen a decline in both the capital value and rental value of commercial property assets. This was partly due to the fall in demand for office accommodation. The market also experienced an increase of sub-lease office accommodation available for lease, mainly in the financial sector.

These market conditions were extremely favourable to the Authority where the softening rental market allowed the Authority to negotiate attractive rentals for its agency clients and take advantage of generous rental incentives, thereby generating significant savings for government.

From a divestments perspective the overall real estate market conditions continued to improve throughout 2009-10 with the developer base re-entering the market place, resulting in sales such as the former Grosvenor Centre at Summer Hill for \$5 million – \$1 million above reserve, and the Doonside Office Building (vested in the Authority) for a tender price of \$5 million.

FINANCIAL PERFORMANCE 2009-10

OVERVIEW

FINANCIAL PERFORMANCE SUMMARY	2009-10 ACTUAL \$'000	2009-10 BUDGET \$'000	VARIANCE TO BUDGET \$'000	2010-11 BUDGET \$'000
Income statement				
Revenues	277,473	261,344	16,129	366,646
Expenses	263,648	220,154	(43,494)	306,581
Net gain/(loss) on asset disposals/valuations	(14,520)	0	(14,520)	525
Net operating result	(695)	41,190	(41,885)	60,590
Balance sheet				
Total assets	1,158,881	1,161,551	(2,670)	1,097,833
Total liabilities	445,835	325,946	(119,889)	335,587
Net assets/equity	713,046	835,605	(122,559)	762,246
Capital program				
Property developments	0	0	0	1,000
Property refurbishment and other	13,149	16,302	3,153	30,623
Total capital program	13,149	16,302	3,153	31,623
Financial distributions				
Normal distribution	32,625	32,603	(22)	36,000
Capital repatriations	65,073	0	(65,073)	0
Total financial distributions	97,698	32,603	(65,095)	36,000

In 2009-10 the Authority recorded an operating deficit of just under \$0.7 million against a budgeted surplus of \$41.2 million. This significant variance on budget resulted mainly from a number of non-cash property valuation related adjustments. An analysis of the Authority's operating result, including a summary of the 2010-11 budget is further outlined in the following sections.

Despite the accounting deficit, the Authority was still able to return its targeted normal distribution of \$32.6 million to the government without any adverse impact on its working capital cash reserves. An additional amount of \$65.1 million was also returned as a capital repatriation – largely from the net proceeds from the sale of various parcels of Newcastle land holdings to the Newcastle Port Corporation (NPC) in July 2009.

The Authority retained a healthy balance sheet position at 30 June 2010 with the ratio of total assets to total liabilities standing at 2.6:1, the ratio of current assets to current liabilities at 2.4:1 and net assets totalling \$713 million. Net assets comprised of total assets of \$1,158.9 million

(including \$918.2m in property assets) less total liabilities of \$445.8 million. The reduction in net assets on the budgeted amount was largely due to the sale of Newcastle port lands to NPC.

Capital Program projects in 2009-10 comprised 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 for the 2009-10 financial year was \$3.2 million below the Statement of Business Intent target. This shortfall was mainly due to delays in appointing the Authority's second property and facilities management contractor. An allocation of \$3.2 million was made for immediate improvements to newly vested properties allocated to the contractor, of which only about \$0.8 million was able to be spent by 30 June 2010. The remaining underspend was largely due to internal resourcing shortfalls.

OPERATING RESULT 2009-10

OPERATING RESULT	2009-10 ACTUAL \$'000	2009-10 BUDGET \$'000	VARIANCE TO BUDGET \$'000	2010-11 BUDGET \$'000
Revenues				
Rental income	255,398	230,630	24,768	318,149
Fees for services	2,777	3,429	(652)	4,438
Interest income	3,444	2,884	560	3,738
Government contributions				
Recurrent	5,105	5,500	(395)	5,598
Capital	13,749	16,301	(2,552)	31,623
Emerging asset income	(3,000)	2,600	(5,600)	3,100
Total revenues	277,473	261,344	16,129	366,646
Expenses				
Personnel services expenses	16,021	14,261	(1,760)	18,279
Other operating expenses	3,275	3,706	431	3,742
Property head lease expenses	173,409	148,957	(24,452)	224,258
Other property related expenses	28,547	27,532	(1,015)	25,689
Finance costs	8,253	8,128	(125)	8,260
Grants and subsidies	1,037	0	(1,037)	0
Depreciation and amortisation	25,313	17,570	(7,743)	26,353
Other expenses (land remediation)	7,793	0	(7,793)	0
Total expenses	263,648	220,154	(43,494)	306,581
Gain/(loss) on disposal of assets	148	0	148	525
Valuation gains/(losses)	(14,668)	0	(14,668)	0
Net operating result	(695)	41,190	(41,885)	60,590

The Authority's 2009-10 operating result shows an unfavourable variance of \$41.9 million on budget. The 2009-10 budget numbers in the above table reflect those published in the 2009-10 Budget Papers. As mentioned in the previous section, this result was mainly caused by non-cash property valuation related adjustments across various revenue and expense line items.

Operating revenue totalled \$277.5 million against a budget of \$261.3 million. Much of this improvement on budget related to \$24.8 million of additional rental income generated from the tranche 4 vesting of 228 owned and leased properties from other government agencies during 2009-10. However, this was partly offset by a \$5.6 million unfavourable variance in emerging asset income caused by a revision in the methodology used in valuing the emerging asset revenue stream associated with the Sydney Opera House Car Park.

A \$2.6 million reduction in the expected capital contribution for the year was directly related to the delays experienced by the Authority in commencing programmed refurbishment works on its new stock of vested properties. Government contribution funding for the Authority's Capital Program is received subsequent to the completion of works on individual projects.

Total expenses of \$263.6 million for the year exceeded the budgeted amount by \$43.5 million. Of total expenses, \$173.4 million was incurred on head lease rentals on properties leased from the private sector for the purpose of providing government agency office accommodation. As with rental income, the \$24.5 million increase in the head lease rental expense over the amount budgeted was directly related to the vesting of some 204 leased properties during 2009-10. As all head lease rent paid by the Authority is recovered from agency tenants, this increase did not impact on the operating result.

The Authority's personnel services expense of \$16 million for 2009-10 was \$1.8 million greater than budget. However, this included a non-cash net actuarial loss of \$2.2 million in respect of the Authority's superannuation liability for personnel who are members of defined benefits superannuation plans.

Other significant non-cash expenses which had an unfavourable impact on the 2009-10 operating result include:

- net losses of \$12.5 million associated with the revaluation of the Authority's owned property assets
- revisions to the total cost and term of the Authority's obligations to remediate port land at Newcastle and at Hunters Hill, Sydney increased expenses and losses by \$7.8 million and \$2.2 million respectively
- an overall lowering of the aggregated useful life of the Authority's property portfolio resulting from the June 2009 revaluation process resulted in an increase in depreciation expense of more than \$7.7 million on the amount budgeted.

It is considered that these accounting adjustments to the operating result are extraordinary to the Authority's normal operations. However, they are reflective of the volatility faced by organisations in the property industry from time to time.

OPERATING BUDGET OVERVIEW 2010-11

The budget numbers shown in the above table reflect the Authority's original 2010-11 budget as published in the NSW Government's 2010-11 Budget Papers. The Authority's 2010-11 budget projects an operating surplus of \$60.6 million.

Budgeted total revenue of \$367.2 million includes \$318.1 million in rental income received from the Authority's portfolio of owned and leased office accommodation properties. The increase in rental income over the 2009-10 budgeted amount is mainly due to the vesting of additional owned and leased properties during the 2009-10 financial year.

Total revenue in 2010-11 will also include \$31.6 million in capital contributions received from the government which will largely be used to fund the Authority's government office building refurbishment program. A further \$5.6 million in recurrent contributions will also be received from the government to fund whole of government property related services provided by the Authority to other government agencies.

Total expenses of \$306.6 million are budgeted in 2010-11. The majority of these expenses relate to government agency occupied office accommodation properties and include head lease rental payments of \$224.3 million and other property related expenses (including outgoings, utilities, maintenance, finance costs and depreciation) totalling \$60.3 million. As with rental income, the significant increase in property related expenses over the 2009-10 budget is directly associated with the additional property vesting during 2009-10.

Further vesting is scheduled to occur during 2010-11, however, the financial impact of this on the Authority's total revenues and expenses was not available at the time of budget development. However, it is expected that the vesting scheduled to occur in the first half of 2010-11 will increase total revenue by more than \$55 million and total expenses by more than \$54 million.

Surplus cash generated from the Authority's operating activities is returned to the government as a financial distribution. The 2010-11 budget has targeted a financial distribution of \$36 million for the year.

INDEPENDENT AUDIT OUTCOME 2009-10

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

The independent audit of the Authority's accounts was completed by the Audit Office of NSW on 4 November 2010. 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.

AUDITED FINANCIAL INFORMATION

STATE PROPERTY AUTHORITY FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

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State Property Authority

Financial Statements For the Year Ended 30 June 2010

Statement by the Chief Executive

Pursuant to Section 41C of the Public Finance and Audit Act 1983 and in my capacity as Chief Executive Officer of the 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 the State Property Authority as at 30 June 2010 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.

R Costello
Acting Chief Executive
Land and Property Management Authority

SYDNEY
3 November 2010



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

State Property Authority

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the State Property Authority (the Authority), which comprises the statement of financial position as at 30 June 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Auditor's Opinion

In my opinion, the financial statements:

- present fairly, in all material respects, the financial position of the Authority as at 30 June 2010, and its financial performance for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- 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 and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 controls relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal controls. 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 that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

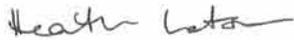
My opinion does *not* provide assurance:

- about the future viability of the Authority
- that it has carried out its activities effectively, efficiently and economically
- about the effectiveness of its internal controls.

Independence

In conducting this audit, the Audit Office of New South Wales has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. 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 role by the possibility of losing clients or income.



Heather Watson
Director, Financial Audit Services

4 November 2010
SYDNEY



State Property Authority

Financial Statements

For the Year Ended 30 June 2010

State Property Authority
Start of Audited Financial Statements
Statement of Comprehensive Income
For the Year Ended 30 June 2010

	Note	2010 \$'000	2009 \$'000
Revenue			
Property Rental Income	2(a)	255,398	184,569
Fees for Services	2(b)	2,777	3,055
Grants and Contributions	2(c)	18,854	23,357
Interest	2(d)	3,444	4,330
Emerging Asset Income	2(e)	(3,000)	2,200
Total Revenue		277,473	217,511
Expenses Excluding Losses			
Personnel Services Expense	3(a)	16,021	17,272
Property Head Lease Expense	3(b)	173,409	99,080
Other Property Related Expenses	3(c)	28,547	21,951
Finance Costs	3(d)	8,253	9,607
Depreciation and Amortisation	3(e)	25,313	21,983
Grants and Subsidies	3(f)	1,037	-
Other Operating Expenses	3(g)	3,275	2,525
Other Expenses	3(h)	7,793	-
Total Expenses Excluding Losses		263,648	172,418
Net Gain/(Loss) on Disposal of Property Plant & Equipment	4(a)	148	-
Net Gain/(Loss) on Revaluation of Property Plant and Equipment	4(b)	(13,606)	3,868
Net Gain/(Loss) on Revaluation of Investment Property	4(c)	1,000	(1,635)
Net Gain/(Loss) on Revaluation of Finance Leased Assets	4(d)	139	(139)
Net Gain/(Loss) on Revised Estimate of Land Remediation Liability	4(e)	(2,201)	(3,997)
Net Surplus/(Deficit) for the Year		(695)	43,190
Other Comprehensive Income			
Net Increment/(Decrement) on Revaluation of Property, Plant and Equipment	7(b)	77,179	31,835
Net Increment on Revaluation of Finance Lease Assets	7(b)	2,070	-
Net Revaluation Decrement - Impairment Losses on Property, Plant and Equipment	7(b)	-	(195,396)
Net Decrement on Revised Estimate of Land Remediation Liability	12(b)	(5,462)	-
Total Other Comprehensive Income for the Year		73,787	(163,561)
Total Comprehensive Income for the Year		73,092	(120,371)

[The accompanying notes form part of these statements]

State Property Authority

Statement of Changes in Equity

For the Year Ended 30 June 2010

Note	Asset			Asset		
	Accumulated	Revaluation	Total	Accumulated	Revaluation	Total
	Funds	Reserve	Equity	Funds	Reserve	Equity
	2010	2010	2010	2009	2009	2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at the Beginning of the Year	761,582	11,981	773,563	712,320	199,367	911,687
Comprehensive Income						
- Net Surplus/(Deficit) for the Year	(695)	-	(695)	43,190	-	43,190
- Other Comprehensive Income:						
- Net Increment/(Decrement) on Revaluation of Property, Plant and Equipment	7(b)	77,179	77,179	-	31,835	31,835
- Net Increment on Revaluation of Finance Lease Assets	7(b)	2,070	2,070	-	-	-
- Net Revaluation Decrement - Impairment Losses on Property, Plant and Equipment	7(b)	-	-	-	(195,396)	(195,396)
- Net Decrement on Revised Estimate of Land Remediation Liability	12(b)	(5,462)	(5,462)	-	-	-
Total Comprehensive Income	(695)	73,787	73,092	43,190	(163,561)	(120,371)
Transactions with Owners as Owners						
- Financial Distributions	14(a)	(97,698)	(97,698)	(39,035)	-	(39,035)
- Transfers to Other Government Agencies:						
- Property, Plant and Equipment	7(b)	(88,153)	(88,153)	(54,565)	-	(54,565)
- Transfers from Other Government Agencies:						
- Property, Plant and Equipment	7(b)	61,668	61,668	78,967	-	78,967
- Investment Property	8(b)	104	104	-	-	-
- Land Remediation Provision	12(b)	-	-	(3,120)	-	(3,120)
- Deferred Income Liability	13(b)	(9,530)	(9,530)	-	-	-
Total Transactions with Owners as Owners	(133,609)	-	(133,609)	(17,753)	-	(17,753)
Transfers between Equity Components						
- Transfers to Other Government Agencies:						
- Property, Plant and Equipment	7(b)	87,573	(87,573)	23,810	(23,810)	-
- Transfers to Assets Held for Sale:						
- Property, Plant and Equipment	9	(1,613)	1,613	15	(15)	-
- Transfer of Asset Revaluation Reserve Balances on Sale of Assets		(2,846)	-	-	-	-
Net Transfers within Equity Components	83,114	(83,114)	-	23,825	(23,825)	-
Balance at the End of the Year	710,392	2,654	713,046	761,582	11,981	773,563

[The accompanying notes form part of these statements]

State Property Authority

Statement of Financial Position

As At 30 June 2010

	Note	2010 \$'000	2009 \$'000
ASSETS			
Current Assets			
Cash and Cash Equivalents	5	131,075	140,583
Receivables	6	33,089	16,188
Assets Held For Sale	9	5,345	795
Property, Plant and Equipment	7	-	75,000
Total Current Assets		169,509	232,566
Non-Current Assets			
Property, Plant and Equipment	7	877,965	860,151
Investment Property	8	40,259	39,155
Intangibles	10	752	466
Receivables	6	70,396	25,944
Total Non Current Assets		989,372	925,716
TOTAL ASSETS		1,158,881	1,158,282
LIABILITIES			
Current Liabilities			
Payables	11	19,311	29,110
Finance Lease Liabilities	15(d)	2,316	2,146
Provisions			
- Land Remediation	12	27,872	20,743
- Other	12	18,229	4,630
Other Liabilities			
- Deferred Income	13	3,274	3,172
Total Current Liabilities		71,002	59,801
Non-Current Liabilities			
Finance Lease Liabilities	15(d)	48,114	50,430
Provisions			
- Land Remediation	12	86,792	76,352
- Other	12	68,320	32,316
Other Liabilities			
- Deferred Income	13	171,607	165,820
Total Non-Current Liabilities		374,833	324,918
TOTAL LIABILITIES		445,835	384,719
NET ASSETS		713,046	773,563
EQUITY			
Accumulated Funds		710,392	761,582
Asset Revaluation Reserve	14(b)	2,654	11,981
TOTAL EQUITY		713,046	773,563

[The accompanying notes form part of these statements]

State Property Authority

Statement of Cash Flows

For the Year Ended 30 June 2010

	Note	2010 \$'000	2009 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Property Related		(201,675)	(124,060)
Personnel Services		(13,754)	(11,985)
Land Remediation		(3,532)	(1,637)
Grants and Subsidies		(1,037)	-
Other		(19,338)	(5,501)
Total Payments		(239,336)	(143,183)
Receipts			
Rental Income		247,299	178,379
Fees for Services		5,060	1,560
Interest		3,006	6,272
Other		-	13,904
Total Receipts		255,365	200,115
Cash Flows from Government			
State Government Contribution		18,854	24,037
Net Cash Flows from Government		18,854	24,037
NET CASH FLOWS FROM OPERATING ACTIVITIES			
	5(b)	34,883	80,969
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of Property, Plant and Equipment		(12,821)	(21,967)
Proceeds from Sale of Property Plant and Equipment		66,128	-
NET CASH FLOWS FROM INVESTING ACTIVITIES		53,307	(21,967)
CASH FLOWS FROM FINANCING ACTIVITIES			
Financial Distributions to the State Government	1(u)	(97,698)	(39,047)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(97,698)	(39,047)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		(9,508)	19,955
Opening Cash and Cash Equivalents		140,583	120,628
CLOSING CASH AND CASH EQUIVALENTS	5(a)	131,075	140,583

[The accompanying notes form part of these statements]

State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

The State Property Authority (the Authority) was established under the *State Property Authority Act, 2006* (the Act). The Authority commenced operations on 1 September 2006 and is domiciled in Australia. Its principal business address is Bligh House, 4-6 Bligh Street, Sydney NSW 2000. The Authority is a not-for-profit entity as profit is not its principal objective. The Authority is consolidated as part of the NSW Total Sector Accounts.

Under the Act, the Authority is unable to employ staff. However, to enable it to exercise its functions, the Authority 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*.

Prior to 1 July 2009, personnel services were provided by the Office of the State Property Authority (the Office) - a Division of the Government Service which was established as a controlled subsidiary of the Authority. On 1 July 2009, the Office was abolished and the Land and Property Management Authority (LPMA) established as a new Division of the Government Service under the *Public Sector Employment and Management (Departmental Amalgamations) Order 2009*. As a result of this Order, personnel services were provided to the Authority by the LPMA from 1 July 2009. The LPMA is a separate reporting entity which is not controlled by the Authority and does not control the Authority for financial reporting purposes.

These financial statements have been authorised for issue by the Authority's Chief Executive Officer on 3 November 2010.

(b) Basis of Preparation

The State Property Authority's financial statements are general-purpose financial statements prepared on a "going concern" basis and in accordance with:

- (i) applicable Australian Accounting Standards (which includes Australian Accounting Interpretations);
- (ii) other authoritative pronouncements of the Australian Accounting Standards Board (AASB); and
- (iii) the requirements of the *Public Finance and Audit Act, 1983* and the *Public Finance and Audit Regulation, 2010* and Treasurer's Directions.

Where there are inconsistencies between the above requirements the legislative provisions prevail.

The financial statements have been prepared on an historical cost basis, except for property, plant and equipment and investment properties 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.

In the process of applying the Authority's accounting policies, management have applied judgement and made key assumptions and estimations. Those judgements, assumptions and estimations, which have the most significant effect on the amounts recognised in the financial statements have been disclosed in the relevant notes to the financial statements.

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

State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2010

(c) Statement of Compliance

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

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 2010. 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 the State Property Authority.

(d) Income Recognition

(i) Property Rental Income

Rental income is recognised in accordance with AASB 117 "Leases". Rental income arising on investment properties, and other property assets, is accounted for 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) Rendering of Services

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

(iii) Interest Income

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

(iv) Grants and Contributions

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

(v) Sale of Property, Plant and Equipment

Revenue is recognised when the significant risks and rewards of ownership of the item of property, plant and equipment passes to the buyer and can be measured reliably. Specifically, with respect to property sales, the risks and rewards are considered passed to the buyer at the time of settlement of the contract.

(vi) Emerging Asset Increment

In accordance with TPP 06-08 "Accounting for Privately Financed Projects", the Opera House Car Park is an emerging asset, which the Authority 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".

State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2010

(e) Provisions

Provisions are recognised when the Authority 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) Personnel Services Provision

The Authority receives personnel services from the Land and Property Management Authority (LPMA). The LPMA is not a Special Purpose Service Entity and does not control the Authority under this arrangement. In accordance with NSW Treasury Circular 06-13 "Financial Reporting and Annual Reporting Requirements Arising from Employment Arrangements", a liability representing the total amount payable to the LPMA is recognised as a provision in the Statement of Financial Position.

As the Authority is not an employer, the disclosure requirements of AASB119 "Employee Benefits" in respect of employee benefits do not apply. However, for clarity and transparency, the Personnel Services Provision is disaggregated in the notes to the financial statements into its major components which include Annual Leave, Long Service Leave On-costs and Unfunded Superannuation (Note 12(a)).

(ii) Land Remediation Provision

Where the Authority 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 the Authority's remediation obligations (Note 12(b)). At the same time, where the Authority 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 Surplus/Deficit 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 Surplus/Deficit 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 Surplus/Deficit 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.

State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2010

(f) Insurance

The Authority's insurance activities are conducted through the NSW Treasury Managed Fund of self insurance for Government agencies. The Authority carries a comprehensive range of insurances through the Treasury Managed Fund which cover property, public liability, workers compensation, motor vehicles and other contingencies. The expense (premium) is determined on past claims experience.

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

(g) Goods and Services Tax (GST)

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

- (i) the amount of GST incurred by the Authority 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.
- (iii) Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component 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.
- (iv) Commitment amounts disclosed in the financial statements include the amount of GST recoverable from, or payable to, the Australian Taxation Office.

(h) Acquisition of Property, Plant and Equipment

Acquisition of property is recognised when the risks and rewards of the asset have passed to the buyer. 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 the Authority. 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 specific requirements of other Australian Accounting Standards.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition. Fair value means the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

Computer equipment and furniture and fixtures with short useful lives are measured at depreciated historical cost, as a surrogate to fair value.

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

State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2010

(i) Revaluation of Property, Plant and Equipment

Following initial recognition at cost, land and buildings are carried at a revalued amount, which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and any subsequent accumulated impairment losses.

Physical non-current assets are valued in accordance with NSW Treasury Policy and Guidelines Paper 07-01 "Valuation of Physical Non-Current Assets at Fair Value". 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 having regard to comparable market evidence or depreciated replacement cost approach. Fair value revaluations are made annually to ensure that the carrying amount does not differ materially from its fair value at reporting date.

Any revaluation increment is credited to the asset revaluation reserve included in the equity section of the Statement of Financial Position except to the extent that it reverses a revaluation decrease of the same class of assets previously recognised in the Net Surplus/Deficit, in which case the revaluation increment is recognised in the Net Surplus/Deficit.

Any revaluation decrease is recognised in the Net Surplus/Deficit, except to the extent that it reverses a revaluation increase of the same class of assets previously recognised in the Asset Revaluation Reserve.

Revaluation increments and decrements are offset against one another within a class of non-current assets.

Where assets are revalued, the accumulated depreciation at the revaluation date is credited to the assets to which it relates. The net assets are then increased or decreased by the revaluation increment or decrement.

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to Accumulated Funds. An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Net Surplus/Deficit in the year the asset is derecognised.

(j) Impairment of Property, Plant and Equipment

In accordance with AASB 136 "Impairment of Assets", an assessment is made at reporting date as to whether there is any indication that the Authority's property, plant and equipment assets are impaired. This assessment is made after fair value measurement under AASB 116 "Property Plant and Equipment".

If any indication of impairment exists, an estimate of the recoverable amount of the asset is made. Under AASB 136, the recoverable amount is defined as the higher of fair value less costs to sell and value in use.

If, and only if, the recoverable amount of the asset is less than the carrying amount, the carrying amount is reduced to the recoverable amount. The reduction is an impairment loss and is treated as a revaluation decrease in accordance with AASB 116 "Property Plant and Equipment".

However, as fair value revaluations are made annually to ensure that carrying amounts do not differ materially from their fair value at reporting date, it is considered that assets are already recorded at their recoverable amount and impairment would only arise if selling costs are material. Management considers that selling costs, in respect of the Authority's Property, Plant and Equipment assets, would be immaterial.

State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2010

(k) Investment Properties

Investment properties are measured initially at cost, including transaction costs. Where an investment property is acquired at no cost or for nominal cost, the investment property is measured initially at its fair value. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are recognised in the Net Surplus/Deficit in the year in which they arise as per AASB 140 "Investment Property".

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the Net Surplus/Deficit in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use evidenced by the ending of owner-occupation, commencement of an operating lease to another party, the ending of construction or development or when property previously classified as Property, Plant and Equipment is no longer held for strategic purposes and meets the definition of investment property under AASB 140 "Investment Property".

Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

For a transfer from owner-occupied property to investment property, the Authority accounts for such property in accordance with the policy stated under Property, Plant and Equipment up to the date of change in use.

(l) Assets Held For Sale

Non-current assets are classified as Assets Held for Sale where the assets are available for immediate sale, the sale is highly probable and where the carrying value will be principally recovered through a sale transaction rather than through continuing use.

Assets held for sale are measured at the lower of their carrying amount at the time of such classification and their fair value less costs to sell. These assets are not depreciated while they are classified as held for sale.

(m) Depreciation and Amortisation of Property, Plant and Equipment

(i) Depreciation

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 the Authority. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items.

The Authority'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 the entity.

State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2010

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

	<u>2010</u> <u>Years</u>	<u>2009</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.

In accordance with AASB 140 "Investment Property", investment properties are not depreciated and under 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.

(ii) Amortisation

Leased assets are amortised over the period of the lease or the life of the asset, whichever is the shorter.

(n) 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 the Authority is capitalised. The general threshold for property expenditure capitalisation is \$30,000.

(o) 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.

(p) Intangible Assets

Intangible assets are only recognised if it is probable that future economic benefits will flow to the Authority and the cost of the asset can be measured reliably.

The useful lives of intangible assets are assessed to be finite. Intangible assets are measured initially at cost and subsequently at fair value only if there is an active market. As there is not an active market for the Authority's intangible assets, the assets are carried at cost less accumulated amortisation.

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

In general, intangible assets are tested for impairment where an indicator of impairment exists.

State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2010

(q) 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.

(i) Finance Leases

Assets held under finance leases 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 a finance lease liability (Note 15(d)). Lease payments are allocated between the principal component of the lease liability and the interest expense.

(ii) Operating Leases

Operating lease payments are recognised in the Net Surplus/Deficit and charged on a straight-line basis over the lease term. Lease incentives are allocated over the period of the lease and recognised directly in the Net Surplus/Deficit as an integral part of the total lease expense (Note 13(a)).

In accordance with AASB 140 "Investment Property", 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 Authority owned premises is dictated in the Memorandum of Understanding (MoU) between the Authority 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 the Authority.

(r) Other Assets

Other assets are recognised on a cost basis.

(s) Financial Instruments

Financial instruments give rise to positions that are financial assets or liabilities of either the State Property Authority or its counterparties. These include Cash at Bank, Receivables, Payables and Finance Lease Liabilities (Note 1(q)(i)).

(i) 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.

State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2010

(ii) 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 Surplus/Deficit 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. An allowance for doubtful debts is made when there is objective evidence that the Authority will not be able to collect the debts. Bad debts are written off when identified.

(iii) Payables

These amounts represent liabilities for goods and services provided to the Authority 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.

(t) 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 the entity will not be able to collect all amounts due.

(u) Financial Distributions

As a Government business, the Authority 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 the Authority'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 02-3 "Financial Distributions Policy for Government Businesses". The distributions made by the Authority 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 the Authority. In the Authority's case, capital repatriation payments represent the full return of the net proceeds (ie. total proceeds less costs) of all Authority-owned property sales (Note 14(a)).

State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2010

(v) 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.

(w) Changes in Accounting Policy

There were no changes in accounting policy during 2009-10.

2. REVENUE

(a) Property Rental Income

	<u>2010</u>	<u>2009</u>
	<u>\$'000</u>	<u>\$'000</u>
Owned Property	82,034	78,704
Owned Investment Property	653	1,865
Leased Property	<u>172,711</u>	<u>104,000</u>
	<u>255,398</u>	<u>184,569</u>

The net increase in Property Rental Income over 2008-09 has resulted mainly from the Authority's program of vesting owned and leased properties from other government agencies during 2009-10 pursuant to Premier's Memorandum M2008-06 "State Property Authority and Government Property Principles".

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

Receivable within one year	75,732	74,165
Receivable later than 1 year but not later than 5 years	53,810	77,255
Receivable later than 5 years	<u>60,839</u>	<u>335,034</u>
Total Including GST	<u>190,381</u>	<u>486,454</u>

The above represents future minimum lease receipts on the Authority's owned properties. Future minimum lease receipts as at 30 June 2010 are inclusive of GST, including GST payable of \$17.307 million (\$44.223m at 30 June 2009).

The net decrease in total future minimum lease receipts over 2008-09 is due mainly to the transfer of long term leases associated with lands sold to the Newcastle Port Corporation on 23 July 2009 (Note 7(b)(iv)).

State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2010

(b) Fees for Services	<u>2010</u>	<u>2009</u>
	<u>\$'000</u>	<u>\$'000</u>
Fees for Services Rendered	2,777	3,055
	<u>2,777</u>	<u>3,055</u>

(c) Grants and Contributions	<u>2010</u>	<u>2009</u>
	<u>\$'000</u>	<u>\$'000</u>
State Government - Recurrent Contribution (i)	5,105	5,910
State Government - Capital Contribution (ii)	13,749	17,447
	<u>18,854</u>	<u>23,357</u>

- (i) The Authority receives an annual recurrent contribution from the State Government (via the Crown Finance Entity) 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) The Authority's approved Capital Program is fully funded by the State Government by way an annual capital contribution (via the Crown Finance Entity). The Program includes major works such as the construction or acquisition of Government Office Buildings and other asset renewal works included under the Authority's Cyclic Property Refurbishment Program.

(d) Interest	<u>2010</u>	<u>2009</u>
	<u>\$'000</u>	<u>\$'000</u>
Total Interest Earned (i)	3,571	4,563
Less:		
Interest attributed to monies held on behalf of the Newcastle University and Newcastle City Council (Notes 5 & 11)	(127)	(233)
	<u>3,444</u>	<u>4,330</u>

- (i) Total 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 bank account within the NSW Treasury Banking System.

(e) Emerging Asset Income	<u>2010</u>	<u>2009</u>
	<u>\$'000</u>	<u>\$'000</u>
Emerging Asset Revenue (i)	400	2,200
Valuation Adjustment (ii)	(3,400)	-
	<u>(3,000)</u>	<u>2,200</u>

- (i) In accordance with TPP 06-08 "Accounting for Privately Financed Projects", the Opera House Car Park is an emerging asset which the Authority 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.
- (ii) The methodology of valuing emerging asset revenue in previous year valuation reports was revised in 2009-10. All retrospective adjustments have been recognised in 2009-10.

State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2010

3. EXPENSES EXCLUDING LOSSES	2010	2009
	\$'000	\$'000
(a) Personnel Services Expense (i)		
Salaries and Wages (Including Recreation Leave)	12,063	10,529
Superannuation (Defined Benefit Plans) (ii)	2,512	5,494
Superannuation (Defined Contribution Plans)	525	444
Long Service Leave	268	242
Worker's Compensation Insurance	55	54
Payroll Tax and Fringe Benefits Tax	598	509
	16,021	17,272

- (i) The personnel services expense is the expense incurred by the Authority on personnel services provided to it by the Land and Property Management Authority from 1 July 2009 (and the Office of the State Property Authority prior to this date). Under the *State Property Authority Act 2006*, the Authority is unable to employ staff.
- (ii) Superannuation net actuarial losses of \$2.248 million (\$5.324m in 2008-09) in respect of personnel who are members of defined benefit superannuation plans, are recognised directly in the Net Surplus/Deficit.

(b) Property Head Lease Expense	2010	2009
	\$'000	\$'000
Minimum Lease Payments (i)	138,778	76,776
Rental Expenses Arising from Sub-Leases (ii)	24,468	14,977
Contingent Rentals (iii)	11,571	8,735
	174,817	100,488
Less: Amortisation of Lease Free Incentives (iv)	(1,408)	(1,408)
	173,409	99,080

- (i) The majority of head leased office accommodation properties are sub-leased to government agencies. The terms of the operating head leases generally range from 3 to 10 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 2008-09 has resulted mainly from the Authority's program of vesting owned and leased properties from other government agencies during 2009-10 pursuant to Premier's Memorandum M2008-06 "State Property Authority and Government Property Principles".

- (ii) The expenditure for recurrent outgoings (including repairs and maintenance, electricity, cleaning, expenses for common areas and public risk insurance), subject to exclusion of repairs and maintenance of a structural or capital nature, is the responsibility of the Authority as lessee.
- (iii) Contingent rentals are variations due to market reviews and changes to Consumer Price Index between the actual lease and the amounts of minimum lease payments determined at the inception of the lease.
- (iv) Minimum lease payments were reduced by the \$1.408 million (\$1.408m in 2008-09) amortisation of \$9.550 million in rent free lease incentives received during 2006-07 (Note 13(a)). No new lease incentives were received during 2009-10.

State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2010

(c) Other Property Related Expenses	2010	2009
	\$'000	\$'000
Property Expenses (i)	23,231	18,593
Maintenance and Refurbishment	-	860
Management Fees	3,817	2,713
Interest Expense (Note 16 (b)(i))	967	-
Bad Debts	532	(215)
	28,547	21,951

(i) Items classified as property expenses include minor maintenance of buildings, electricity, telephone, security, cleaning, gardening and sundry charges incurred in multiple occupancy buildings owned by the Authority. These expenses are recoverable from the tenants and as such, are also reflected in Rental Income.

(d) Finance Costs	2010	2009
	\$'000	\$'000
Finance Lease Interest Charges (Note 15(d))	3,857	4,015
Unwinding of Discount Rate on		
Land Remediation Provision (Note 12(b))	4,396	5,592
	8,253	9,607

(i) A restatement of the 2008-09 comparative amount has been made to correctly reflect Finance Costs associated with the Authority's Land Remediation Provision. In the 2008-09 Financial Statements, Finance Costs were stated at \$13.604 million which included \$3.997 million relating to other increases in the Provision. This amount has been restated as a Net Gain/(Loss) on Revised Estimate of Land Remediation Liability (Note 4(e)) within the Net Surplus/Deficit in accordance with the requirements of AASB Interpretation 1 "Changes in Existing Decommissioning, Restoration and Similar Liabilities". The restatement has not impacted the previously reported 2008-09 Net Surplus/Deficit.

(e) Depreciation and Amortisation	2010	2009
	\$'000	\$'000
Depreciation of Property, Plant and Equipment (Note 7)	19,697	16,163
Amortisation of Assets (Note 7 & 10)	5,616	5,820
	25,313	21,983

(f) Grants and Subsidies	2010	2009
	\$'000	\$'000
Grants to Other Government Agencies (i)	1,037	-
	1,037	-

(i) In November 2008, a number of properties were vested in the Authority from the then Department of Community Services (now Department of Human Services - Community Services). Prior to the transfer, a number of these properties had been approved by the Government to be disposed of by sale with the net sale proceeds to be used to fund the Community Services' capital program.

In 2009-10, the Authority disposed of three of these properties with net sale proceeds totalling \$1.037 million (\$nil in 2008-09). To facilitate the return of these funds to Community Services, NSW Treasury has directed the Authority to remit the net proceeds to Community Services as a grant payment.

State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2010

	2010 \$'000	2009 \$'000
(g) Other Operating Expenses		
Audit Fees (Audit of Financial Statements)	172	155
Legal Fees	125	42
Consultancy Fees	177	307
Office Accommodation Expenses	111	80
Corporate Service Fees	839	568
Other (i)	1,845	1,338
Bad Debts	6	35
	3,275	2,525
(i) Items classified as other include advertising, training, conferences, computer costs, telephone, printing, stationery, travel, removal and other sundry charges.		
(h) Other Expenses		
Increase in Land Remediation Provision from Revised Estimate of Liability Remaining on Divested Land (Note 12(b)(ii))	7,793	-
	7,793	-
4. GAINS AND LOSSES RECOGNISED IN THE NET SURPLUS/DEFICIT		
	2010	2009
	\$'000	\$'000
(a) Gain/(Loss) on Disposal of Property, Plant and Equipment		
Net Proceeds from Disposal	76,892	-
Written Down Value	(76,744)	-
Net Gain/(Loss) on Disposal	148	-
(b) Net Gain/(Loss) on Revaluation of Property, Plant and Equipment		
Increment on Revaluation (Note 7(b))	-	8,943
Decrement on Revaluation (Note 7(b))	(13,606)	(5,075)
Net Gain/(Loss) on Revaluation	(13,606)	3,868
(c) Net Gain/(Loss) on Revaluation of Investment Property		
Increment on Revaluation (Note 8)	1,000	1,515
Decrement on Revaluation (Note 8)	-	(3,150)
Net Gain/(Loss) on Revaluation	1,000	(1,635)
(d) Net Gain/(Loss) on Revaluation of Finance Leased Assets		
Increment on Revaluation (Note 7(b))	139	-
Decrement on Revaluation (Note 7(b))	-	(139)
Net Gain/(Loss) on Revaluation	139	(139)

State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2010

	2010 \$'000	2009 \$'000
(e) Net Gain/(Loss) on Revised Estimate of Land Remediation Liability		
Net Gain/(Loss) on Revised Estimate of Liability Remaining on Property, Plant and Equipment (Note 12(b))	(2,201)	(3,997)
Net Gain/(Loss) on Revised Estimate	(2,201)	(3,997)

	2010 \$'000	2009 \$'000
5. CASH AND CASH EQUIVALENTS		
(a) Reconciliation of Cash and Cash Equivalents		
Cash at Bank	124,738	121,429
Restricted Cash - which remains part of cash and cash equivalents in the Statement of Financial Position (i)	6,337	19,154
	131,075	140,583
Represented in the Statement of Financial Position as:		
Current Assets - Cash and Other Cash Equivalents	131,075	140,583

- (i) Included in the cash balance is \$99.930 million (\$99.904m in 2008-09) set aside for remediation on land acquired by the Crown from BHP Billiton in 2002. Out of this amount \$3.496 million (\$5.250m in 2008-09) including interest, is held "on trust" on behalf of the Newcastle Council and the University of Newcastle in relation to the funding proposal for the implementation of the Revised Heritage Interpretation Strategy (Note 11).

At 30 June 2010, \$2.841 million (\$13.904m in 2008-09) was also held "on trust" for cash received in advance from the Department of Human Services - Ageing, Disability and Homecare (ADHC) for property acquisitions in progress, negotiations for which were being undertaken by the Authority under formal agreement with ADHC (Note 11).

For the purposes of the Statement of Cash Flows, cash includes cash on hand, cash at bank and "restricted cash".

	2010 \$'000	2009 \$'000
(b) Reconciliation of Net Cash Provided by Operating Activities to Operating Result		
Net Surplus/(Deficit) for the Year	(695)	43,190
Non Cash Expenses/(Revenues):		
Emerging Asset Increment/(Decrement) (Note 2(e))	3,000	(2,200)
Depreciation and Amortisation (Note 3(e))	25,313	21,983
Loss on Disposal of Non-Current Assets (Note 4(a))	(148)	-
Other Losses/(Gains) on Revaluation of Non-Current Assets (Notes 4(b) to 4(d))	12,467	(2,094)
Changes in Operating Assets and Liabilities:		
Decrease/(Increase) in Receivables	(49,297)	(12,093)
Increase/(Decrease) in Payables	(7,596)	17,139
Increase/(Decrease) in Provisions	55,479	18,216
Increase/(Decrease) in Other Operating Liabilities	(3,640)	(3,172)
Net Cash Flow From Operating Activities	34,883	80,969

State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2010

6. RECEIVABLES	2010 \$'000	2009 \$'000
Current		
Trade Receivables:		
Property Rental	8,222	5,048
Fees for Services Rendered	1,401	1,293
Less: Impairment Allowance (i)	(730)	(233)
	<u>8,893</u>	<u>6,108</u>
Other Receivables:		
Work in Progress - Fees for Services	1,271	3,526
Goods and Services Tax Recoverable (ii)	515	751
Makegood Cost Recoverable (Note 12(c))	16,766	3,339
Other	5,644	2,464
Total Current Receivables	<u>33,089</u>	<u>16,188</u>
Non-Current		
Makegood Cost Recoverable (Note 12(c))	59,896	25,944
Deferred Land Sale Proceeds	10,500	-
Total Non-Current Receivables	<u>70,396</u>	<u>25,944</u>

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

(i) Movement in Impairment Allowance		
Balance at 1 July	233	415
Amount Written Off to Allowance	(12)	-
Increase/(Decrease) in Allowance	509	(182)
Balance at 30 June	<u>730</u>	<u>233</u>

- (ii) A restatement of the 2008-09 comparative amount for the Goods and Services Tax Recoverable has been made to correctly reflect the net amount recoverable from the Australian Taxation Office in accordance with the requirements of AASB Interpretation 1031 "Accounting for the Goods and Services Tax". In the 2008-09 Financial Statements, separate amounts of \$2.370 million and \$1.619 million were disclosed under Receivables and Payables respectively.

State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2010

7. PROPERTY, PLANT AND EQUIPMENT	2010 \$'000	2009 \$'000
(a) Carrying Amount at 30 June:		
Current		
Land		
At Fair Value	-	75,000
Carrying Amount at 30 June	-	75,000
Total Current Property, Plant and Equipment at 30 June	-	75,000
Non-Current		
Land and Buildings		
At Fair Value	667,544	689,164
Carrying Amount at 30 June	667,544	689,164
Land		
At Fair Value	124,192	77,563
Carrying Amount at 30 June	124,192	77,563
Plant and Equipment		
At Fair Value	3,162	2,788
Less Accumulated Depreciation	(1,143)	(819)
Carrying Amount at 30 June	2,019	1,969
Finance Lease Assets		
At Fair Value	78,574	81,793
Carrying Amount at 30 June	78,574	81,793
Emerging Asset		
At Fair Value	1,800	5,750
Carrying Amount at 30 June	1,800	5,750
Works in Progress	3,836	3,912
Total Non-Current Property, Plant and Equipment at 30 June	877,965	860,151
Total at Cost or Fair Value	879,108	860,970
Total Accumulated Depreciation and Amortisation	(1,143)	(819)
Total Non-Current Property, Plant and Equipment at 30 June	877,965	860,151

State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2010

(b) Reconciliation of Opening and Closing Carrying Amounts	2010	2009
	\$'000	\$'000
Land and Buildings (i)		
Carrying Amount at 1 July	689,164	549,227
Additions	9,288	10,107
Disposals (iv)	(690)	-
Transfer from Works in Progress	2,988	53,701
Transfer from Land	-	7,460
Transfers from other Government Agencies	35,868	75,472
Transfers to other Government Agencies (iv)	(272)	-
Transfer to Assets Held For Sale (Note 9)	(345)	(795)
Transfer to Land	(41,170)	-
Net Revaluation Reserve Increment/(Decrement)	(361)	4,701
Net Revaluation Increment/(Decrement) Recognised in the Net Surplus/Deficit (Note 4(b))	(7,654)	5,031
Depreciation Expense	(19,272)	(15,740)
Carrying Amount at 30 June	667,544	689,164
Reconciliation of Opening and Closing Carrying Amounts	2010	2009
	\$'000	\$'000
Land (i)		
Carrying Amount at 1 July	152,563	386,939
Additions	2	-
Disposals (iv)	(75,000)	-
Transfer to Land and Buildings	-	(7,460)
Transfer to Investment Property (Note 8(b))	-	(17,250)
Transfer to Assets Held For Sale (Note 9 (b))	(5,000)	-
Transfer from Land and Buildings	41,170	-
Transfers to other Government Agencies (iv)	(87,881)	(54,565)
Transfers from other Government Agencies	25,800	3,495
Net Revaluation Reserve Increment/(Decrement)	77,540	36,800
Net Revaluation Increment/(Decrement) Recognised in the Net Surplus/Deficit (Note 4(b))	(5,002)	-
Net Revaluation Decrement - Impairment Loss (iv)	-	(195,396)
Carrying Amount at 30 June	124,192	152,563
Land - Current	-	75,000
Land - Non-Current	124,192	77,563
Carrying Amount at 30 June	124,192	152,563
Reconciliation of Opening and Closing Carrying Amounts	2010	2009
	\$'000	\$'000
Plant and Equipment		
Carrying Amount at 1 July	1,969	2,126
Additions	491	266
Disposals	(2)	-
Transfer to Intangibles (Note 10 (b))	(14)	-
Depreciation Expense	(425)	(423)
Carrying Amount at 30 June	2,019	1,969

State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2010

Reconciliation of Opening and Closing Carrying Amounts	2010	2009
	\$'000	\$'000
Finance Lease Assets (ii)		
Carrying Amount at 1 July	81,793	92,633
Additions	20	-
Net Revaluation Reserve Increment/(Decrement)	2,070	(4,979)
Net Revaluation Increment/(Decrement) Recognised in the Net Surplus/Deficit (Note 4(b))	139	(139)
Amortisation Expense	(5,448)	(5,722)
Carrying Amount at 30 June	78,574	81,793
Reconciliation of Opening and Closing Carrying Amounts	2010	2009
	\$'000	\$'000
Emerging Assets		
Carrying Amount at 1 July	5,750	9,400
Net Revaluation Reserve Increment/(Decrement)	-	(4,687)
Net Revaluation Increment/(Decrement) Recognised in the Net Surplus/Deficit (Note 4(b) and Note 8(b)(ii))	(950)	(1,163)
Emerging Asset Increment (Note 2 (e))	400	2,200
Emerging Asset Previous Year Valuation Adjustment (Note 2 (e))	(3,400)	-
Carrying Amount at 30 June	1,800	5,750
Reconciliation of Opening and Closing Carrying Amounts	2010	2009
	\$'000	\$'000
Works in Progress - Land and Buildings (iii)		
Opening Balance at 1 July	3,912	44,884
Additions	2,912	12,729
Transfer to Land and Buildings	(2,988)	(53,701)
Closing Balance at 30 June	3,836	3,912

(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 2010. Qualified valuers from AssetVal Pty Ltd, Herron Todd White, Knight Frank, MC2 Property Valuers, Preston Rowe Paterson and Opteon Property Group were engaged to provide the Authority 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 2009 as well as the previous full speaking valuation reports.

(ii) Finance Lease Assets

The finance lease assets as at 30 June 2010 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 15(d)).

All finance lease assets were independently revalued on 30 June 2010. Qualified valuers, Knight Frank and Ernst & Young who have recent experience in comparable markets and the category of the finance lease assets being valued, were engaged to perform the revaluation.

State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2010

(iii) Works in Progress - Land and Buildings

Expenditure capitalised during the year and recorded under works in progress as at 30 June 2010 relates to refurbishment works in various office buildings totalling \$2.912 million (\$3.912m in 2008-09 of which \$2.988m was transferred to Land and Buildings in 2009-10).

(iv) Disposals and Transfers

The following properties were disposed of by sale during 2009-10:

By public auction or tender:

- 107 Meade Street, Glen Innes;
- 72 Gunnedah Road, Tamworth;
- 100 Darling Street, Cowra;
- 30 Welcome Street, Parkes; and

By Treasurer's approval:

- Various lots on Kooragang Island, Newcastle to the Newcastle Port Corporation for total consideration of \$75.0 million.

The following properties were transferred to other Government agencies via equity transfer during 2009-10:

- Jefferey House Land, Parramatta
- Kooragang Island Wetlands, Newcastle
- Eden Port Building, Eden
- Waverton Bowling Club, Waverton
- Nundle Car Park, Nundle
- Various lots on Kooragang Island and at Mayfield, Newcastle

Transfer of Newcastle Port Lands - Change in Accounting Estimate

On 30 June 2009, the Treasurer approved the transfer of various parcels of the Authority's Newcastle port lands to the Newcastle Port Corporation (NPC) for a total consideration of \$75.0 million. The approval also provided for other parcels to be transferred for \$1. At the time there was some uncertainty as to whether the entire land transfers were to be treated as a sale transaction or whether all or part of the transfers were to be treated as a contribution by owners under AASB Interpretation 1038 "Contributions by Owners Made to Wholly-Owned Public Sector Entities" and Treasury Policy and Guidelines Paper TPP 09-3 of the same title.

A contract formalising the sale of all parcels of the land was signed by the Authority and the NPC on 23 July 2009 and the transfers occurred on that date. In light of this, and the fact that a designation under TPP 09-3 was not clear at the date of transfer or prior to the issue of the 2008-09 Financial Statements, the Authority determined that Interpretation 1038 and TPP 09-3 did not apply and treated the entire land transfers as a sale transaction. The carrying amount of these lands at 30 June 2009 was \$270.396 million. Consequently, the Authority recognised an impairment loss of \$195.396 million as a post balance date adjustment at 30 June 2009 in order to reflect the book value of the lands to be transferred at their known recoverable amount in accordance with the requirements of AASB 136 "Impairment of Assets".

On 30 September 2010, NSW Treasury provided formal confirmation that the various parcels of land approved by the Treasurer to be transferred for \$1 were pre-designated as contributions by owners under TPP 09-3. The NPC also provided advice that the fair value of these lands to the NPC as at the date of transfer was \$87.433 million. In light of this new information, the Authority increased the carrying amount of the lands to align with the advised fair value and also increased the asset revaluation reserve by the same amount. The transfer of the fair value was subsequently recognised within the Statement of Changes in Equity as a reduction in equity in accordance with the requirements of TPP 09-3.

The above adjustment has been recognised in 2009-10 as a change in accounting estimate in accordance with the provisions of AASB 108 "Accounting Policies, Changes in Accounting Estimates and Errors".

State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2010

(v) Heritage Assets

The following properties had restrictions due to being heritage listed and 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
- Heritage Office, 3 Marist Place, Parramatta
- Strickland House, 52 Vaucluse Road, Vaucluse
- 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

8. INVESTMENT PROPERTY

(a) Carrying Amount at 30 June:

Investment Land at Fair Value

Investment Buildings at Fair Value

Carrying Amount at 30 June

	2010	2009
	\$'000	\$'000
	40,214	39,110
	45	45
	40,259	39,155

(b) Reconciliation of Opening and Closing Carrying Amounts

Investment Property

Carrying Amount at 1 July

Transfer from Property, Plant and Equipment (Note 7(b))

Transfers from Other Government Agencies

Fair Value Increment on Revaluation

Fair Value Decrement on Revaluation

Carrying Amount at 30 June

	2010	2009
	\$'000	\$'000
	39,155	23,540
	-	17,250
	104	-
	1,000	1,515
	-	(3,150)
	40,259	39,155

(i) Valuation of Investment Property

Investment property relates to properties leased out to non-government tenants on long term (over 50 years) operating leases.

All investment properties were independently revalued on 30 June 2010. Qualified valuers Knight Frank, Ernst & Young and AssetVal Pty Ltd, who each have recent experience in comparable markets and the category of the investment properties being valued, were engaged to provide the Authority with independent property valuation reports. Each firm provided individual valuations on a sub-set of properties assigned to them.

State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2010

(ii) Sydney Opera House Car Park

The Sydney Opera House Car Park 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 with a design life of 50 years. At the expiration of the lease term the Government has the right to receive the car park. Rental income from the lease of \$2.811 million (\$2.048m in 2008-09) is recognised in the Net Surplus/Deficit.

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 2010.

The value of the car park land of \$18.200 million at 30 June 2010 (\$17.200m at 30 June 2009) is recognised as Investment Property, and the emerging right to receive the car park at the expiration of the lease term of \$1.800 million at 30 June 2010 (\$5.750m at 30 June 2009) is recognised as Property, Plant and Equipment (Note 7). 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%.

9. ASSETS HELD FOR SALE	2010	2009
	\$'000	\$'000
(a) Carrying Amount at 30 June:		
Land and Buildings		
At Fair Value	5,345	795
Carrying Amount at 30 June	5,345	795
(b) Reconciliation of Opening and Closing Carrying Amounts	2010	2009
	\$'000	\$'000
Assets Held for Sale		
Carrying Amount at 1 July	795	-
Disposals	(795)	-
Transfer from Property, Plant and Equipment (Note 7)	5,345	795
Carrying Amount at 30 June	5,345	795
10. INTANGIBLES	2010	2009
	\$'000	\$'000
(a) Carrying Amount at 30 June:		
Computer Software		
Gross Carrying Amount	1,059	606
Less Accumulated Amortisation and Impairment	(307)	(140)
Carrying Amount at 30 June	752	466
(b) Reconciliation of Opening and Closing Carrying Amounts	2010	2009
	\$'000	\$'000
Intangibles		
Carrying Amount at 1 July	466	251
Additions/Acquisitions	440	313
Transfer from Property, Plant and Equipment (Note 7)	14	-
Amortisation Expense	(168)	(98)
Carrying Amount at 30 June	752	466

State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2010

11. PAYABLES

	2010	2009
	\$'000	\$'000
Current		
Sundry Creditors and Accruals	12,083	9,376
Land Remediation Expense Accrual	545	155
Monies Held "On Trust":		
Newcastle Lands (i)	3,496	5,250
Agency Property Acquisitions (ii)	2,841	13,904
Payable to Crown Finance Entity	-	115
Payable to Personnel Services Provider (iii):		
Accrued Salaries, Wages and On-Costs	346	310
Total Current Payables	19,311	29,110

(i) Monies Held "On Trust" - Newcastle Lands

Comprises of monies held on behalf of the Newcastle City Council and represents the balance of funding set aside for the implementation of the Revised Heritage Interpretation Strategy on the former BHP steel works sites in Newcastle (Note 5).

The monies will be distributed to Newcastle City Council in 2010-11 to perform heritage interpretation and display obligations in relation to the former BHP steel work sites and to accept transfer of heritage properties being subdivided from the land at Newcastle.

(ii) Monies Held "On Trust" - Agency Property Acquisitions

At 30 June 2010, these monies comprised cash received in advance from the Department of Human Services - Ageing, Disability and Homecare (ADHC) for property acquisitions in progress, negotiations for which were being undertaken by the Authority under formal agreement with ADHC.

(iii) Personnel Services

Prior to 1 July 2009, personnel services were provided to the Authority by its subsidiary, the Office of the State Property Authority (OSPA). From 1 July 2009, following the NSW Government's *Public Sector Employment and Management (Departmental Amalgamations) Order 2009*, the OSPA was abolished and all personnel services provided to the Authority by the Land and Property Management Authority (LPMA).

State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2010

12. PROVISIONS	2010 \$'000	2009 \$'000
Current		
Personnel Services (a)	1,283	1,147
Land Remediation (b)	27,872	20,743
Makegood Restoration (c)	16,766	3,339
Legal Settlement (d)	180	144
Total Current Provisions	46,101	25,373
Non-Current		
Personnel Services (a)	8,424	6,372
Land Remediation (b)	86,792	76,352
Makegood Restoration (c)	59,896	25,944
Total Non-Current Provisions	155,112	108,668
(a) Personnel Services	2010 \$'000	2009 \$'000
Carrying Amount at 1 July	7,519	1,691
Increase/(Decrease) in Liability to Personnel Services Provider	2,188	5,828
	9,707	7,519
Current Liability	1,283	1,147
Non-Current Liability	8,424	6,372
Total Liability at 30 June	9,707	7,519
Aggregate Personnel Services Liability - Dissection	2010 \$'000	2009 \$'000
Annual Leave (i)	950	839
Long Service Leave On-costs (ii)	333	308
Unfunded Superannuation (Defined Benefits Schemes) (iii)	8,424	6,372
Total Liability at 30 June	9,707	7,519

Prior to 1 July 2009, personnel services were provided to the Authority by its subsidiary, the Office of the State Property Authority (OSPA). As the employing entity, all employee related liabilities were recorded in the financial statements of the OSPA as provisions with an equivalent amount recorded in the accounts of the Authority.

From 1 July 2009, following the NSW Government's *Public Sector Employment and Management (Departmental Amalgamations) Order 2009*, the OSPA was abolished and all personnel services provided to the Authority by the Land and Property Management Authority (LPMA). As there is no controlling relationship between the Authority and the LPMA (for financial reporting purposes), all personnel services liabilities owed to the LPMA are recognised by the Authority as a provision in accordance with NSW Treasury Circular 06-13.

State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2010

(i) Annual Leave

A liability for annual leave and associated on-costs is recognised and measured in respect of employees' services up to the reporting date at undiscounted amounts based on the amounts expected to be paid when the liabilities are settled.

(ii) Long Service Leave On-costs

A liability is recognised for certain long service leave related on-costs and additional employee benefit costs that arise on incurring long service leave, including payroll tax, workers compensation insurance, annual leave, accrued leave while on long service leave taken in service and defined contribution superannuation. This long service leave on-cost liability is calculated in accordance with the requirements of Treasury Circular 09-04 and is based on the long service leave liability recognised by the Land and Property Management Authority (LPMA) in respect of employees of the State Property Authority (the Authority).

The liability for long service leave recognised by the LPMA is measured on a shorthand basis to approximate present value in accordance with the requirements of AASB 119 "Employee Benefits". The shorthand methodology is based on remuneration rates at year-end for all employees with five or more years of service. Present value is approximated based on the nominal long service leave value, the market yield on government bonds as at 30 June and valuation ratios provided by NSW Treasury's actuary.

All long service leave taken by employees of the Authority is reimbursed to the LPMA by the Crown's "Non-Budget Sector Long Service Leave Pool Scheme". Accordingly, The Authority only recognises the consequential costs associated with long service leave.

(iii) Unfunded Superannuation (Defined Benefits Schemes)

The superannuation schemes for personnel provided by the LPMA to the Authority 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 was increased by net actuarial losses of \$2.248 million in 2009-10 (\$5.324m in 2008-09) in respect of personnel who are members of defined benefit superannuation plans. As the Authority is not an employer, any actuarial losses (or gains) are recognised directly in Personnel Services Expense within the Net Surplus/Deficit.

State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2010

(b) Land Remediation	2010	2009
	\$'000	\$'000
Carrying Amount at 1 July	97,095	83,902
Decrease in Provision from Payments	(2,283)	(1,312)
Increase in Provision from Unwinding of Discount Rate (Note 3(d))	4,396	5,592
Increase in Provision from Revised Estimate of Liability Recognised as a Loss in the Net Surplus/Deficit (Note 4(e))	2,201	3,997
Increase in Provision from Revised Estimate of Liability Recognised as a Revaluation Decrement in Other Comprehensive Income	5,462	-
Increase in Provision from Revised Estimate of Liability Remaining on Divested Land (ii)	7,793	-
Increase in Provision from Acquisition of Contaminated Land (iii)	-	1,796
Increase in Provision from Transfers from Other Government Agencies (iii)	-	3,120
Carrying Amount at 30 June	114,664	97,095
Current Liability	27,872	20,743
Non-Current Liability	86,792	76,352
Total Liability at 30 June	114,664	97,095

(i) Remediation Liability on Newcastle Landholdings

In June 2002, the Crown acquired the former BHP main steel works site at Mayfield, Kooragang Islands waste emplacement site and other parcels of land in the Newcastle area. The Mayfield steel works and Kooragang Islands waste emplacement sites required remediation works to remove various contaminants associated with steel making. As part of land acquisition package consideration, the Crown negotiated for BHP Billiton to pay an amount to compensate for the total estimated cost of the land remediation and other works.

On 1 February 2007, all of the above sites were transferred to the State Property Authority from the Crown Property Portfolio under the provisions of the *State Property Authority Act, 2006*. At the same time, the Crown's remediation liability associated with the former main steel works and waste emplacement sites was also transferred to the Authority, along with the balance of cash required to fund the remediation works (Note 5).

On 1 February 2008, the Hunter Development Corporation (HDC) took over the Government's responsibility for the management of the required remediation works from the former Regional Land Management Corporation. Each year, the HDC provides the Authority with a revised estimate of costs remaining to complete the remediation works on the former Mayfield steel works and Kooragang Island waste emplacement sites. From an estimate provided in June 2010, the Authority has recognised a total remediation liability of \$105.038 million as at 30 June 2010 (\$92.179m at 30 June 2009).

Calculation of the 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.

State Property Authority

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For the Year Ended 30 June 2010

(ii) Remediation Liability Remaining on Divested Newcastle Lands

On 23 July 2009, various parcels of the Newcastle landholdings (including unremediated land at Mayfield and on Kooragang Island) were sold to the Newcastle Port Corporation (NPC) (Note 7(b)(iv)). As part of the sale and 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, the Authority continues to recognise the full remediation liability on behalf of the Crown for all of the unremediated lands divested to the NPC. The Authority also maintains the balance of cash to fund the remediation works.

As the Authority no longer owns these lands, any increases or decreases in the associated remediation liability remaining which result from unwinding of the discount rate, changes to the discount rate or revised cash flow and timing estimates, are recognised directly in the Net Surplus/Deficit under Finance Costs (Notes 3(d)) or Other Expenses (Note 3(h)).

(iii) Remediation Liability on Hunter's Hill Landholdings

On 29 June 2009 the Authority 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 the Authority the responsibility to remediate the contaminated land.

The Authority has estimated and recognised a total remediation liability of \$9.626 million as at 30 June 2010 (\$4.916m at 30 June 2009) for all three lots. This estimate has been determined using contract and tender details available as at 30 June 2010. Minor remediation commenced in 2009-10, however the remaining remediation will be undertaken and completed in 2011-12.

(c) **Makegood Restoration**

	2010	2009
	\$'000	\$'000
Carrying Amount at 1 July	29,283	17,587
Increase in Provision from Revised Present Value of Liability	47,485	11,696
Decrease in Provision from Payments	(106)	-
Carrying Amount at 30 June	76,662	29,283
Current Liability	16,766	3,339
Non-Current Liability	59,896	25,944
Total Liability at 30 June	76,662	29,283

The makegood restoration liability is calculated on all leased properties, where the Authority 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. A discount rate of 5.10% was used and the level of the provision is reviewed at the end of each year and an adjustment made to Receivables.

State Property Authority

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For the Year Ended 30 June 2010

(d) Legal Settlement	2010 \$'000	2009 \$'000
Carrying Amount at 1 July (i)	144	144
Additional Provision	36	-
Carrying Amount at 30 June	180	144
Current Liability	180	144
Total Liability at 30 June	180	144

(i) Legal Costs - McKell Building Break Benefits Litigation

On 28 July 2006, the NSW Crown was ordered to pay the costs of defendants, including State Bank of NSW (now Commonwealth Bank of Australia), in relation to the McKell Building Break Benefits litigation proceedings. The proceedings arose from certain changes to the structured finance arrangements put in place in 1991 when Rawson Place Pty Ltd acquired the McKell Building from the NSW Crown.

On 27 March 2009, the Authority received the defendant's bill of costs and on 3 June 2009, offered to pay an amount of \$0.144 million in full settlement. The defendants rejected this offer and on 11 May 2010, the Authority revised its offer to \$0.180 million. At 30 June 2010, negotiations for settlement of the defendant's costs remained in progress. Accordingly, the \$0.180 million offer has been recognised as a current provision (\$0.144m at 30 June 2009).

13. DEFERRED INCOME	2010 \$'000	2009 \$'000
Current		
Lease Incentives from Lessors (a)	1,408	1,408
Prepaid Long-Term Leases (b)	1,866	1,764
Total Current Liability at 30 June	3,274	3,172
Non-Current		
Lease Incentives from Lessors (a)	2,783	4,192
Prepaid Long-Term Leases (b)	168,824	161,628
Total Non-Current Liability at 30 June	171,607	165,820

(a) Lease Incentives from Lessors	2010 \$'000	2009 \$'000
Carrying Amount at 1 July (i)	5,600	7,008
Less Current Year Amortisation	(1,408)	(1,408)
Carrying Amount at 30 June	4,192	5,600
Current Liability	1,408	1,408
Non-Current Liability	2,783	4,192
Total Liability at 30 June	4,191	5,600

(i) The former Crown Property Portfolio received lease rent free incentives of \$5.150 million on a 6-year lease for Macquarie Tower, Parramatta in July 2006 and \$4.400 million on an 8-year lease for Governor Macquarie Tower, Sydney in January 2007. The unamortised balance of the lease incentives as at 30 June 2007 was transferred to the Authority from the Crown Property Portfolio on 1 July 2007. The lease incentives are recognised as a reduction of Head Lease Expenses over the term of the leases (Note 3(b)).

State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2010

(b) Prepaid Long-Term Leases	2010	2009
	\$'000	\$'000
Carrying Amount at 1 July (i)	163,392	165,156
Add Liability Transferred From Other Government Agencies (ii)	9,530	-
Less Current Year Amortisation	(2,232)	(1,764)
Carrying Amount at 30 June	170,690	163,392
Current Liability	1,866	1,764
Non-Current Liability	168,824	161,628
Total Liability at 30 June	170,690	163,392

- (i) The former Crown Property Portfolio, as lessor, received a total of \$185.791 million in upfront prepaid rentals on long-term operating leases of more than 50 years for the Goodsell Building, Colonial State Bank Centre, Aurora Place, Sir Stamford Hotel, Wentworth Chambers and Agar Steps Terraces. The unamortised balance of the prepaid rents as at 30 June 2007 was transferred to the Authority from the Crown Property Portfolio on 1 July 2007. The Authority recognises the balance of prepaid rentals as income on a straight line basis over the lease terms.
- (ii) On 18 December 2009, two parcels of land at York Road, Bondi Junction were vested in the State Property Authority from other government agencies. The land included remaining balances of \$9.530 million in prepaid rental which were also vested to the State Property Authority.

14. NOTE TO STATEMENT OF CHANGES IN EQUITY

(a) Financial Distributions

	2010	2009
	\$'000	\$'000
Normal Distributions from Surplus on Rental Operations (Paid to the State Government) (Note 1(u))	(32,625)	(39,035)
Capital Repatriations from the Net Proceeds of Asset Sales (Paid to the State Government) (Note 1(u))	(65,073)	-
	(97,698)	(39,035)

(b) Asset Revaluation Reserve Dissection

	2010	2009
	\$'000	\$'000
Asset Class:		
Land	584	11,981
Finance Leased Assets	2,070	-
Total Asset Revaluation Reserve at 30 June	2,654	11,981

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 the Authority's policy on the Revaluation of Property, Plant and Equipment (Note 1(i)). All movements are recorded directly through the Statement of Changes in Equity and are recognised in the Statement of Financial Position. No distributions are made from the Asset Revaluation Reserve.

State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2010

15. EXPENDITURE COMMITMENTS	2010	2009
	\$'000	\$'000
(a) Capital Expenditure Commitments		
Capital expenditure contracted at balance date but not provided for:		
Payable within one year	3,638	1,855
Payable later than one year but not later than five years	-	-
Payable later than five years	-	-
Total Expenditure Commitments (Incl GST)	3,638	1,855

Total capital expenditure commitments relate to the refurbishment works in various owned buildings totalling \$3.638 million at 30 June 2010 (\$1.855m at 30 June 2009). Capital expenditure commitments at 30 June 2010 include GST recoverable input tax credits of \$0.331 million (\$0.169m at 30 June 2009) that are expected to be recoverable from the Australian Taxation Office.

(b) Future Minimum Lease Payments under Non-Cancellable Operating Leases as Lessee	2010	2009
	\$'000	\$'000
Head lease future minimum lease payments contracted at balance date but not provided for:		
Payable within one year	173,088	79,324
Payable later than one year but not later than five years	331,019	181,087
Payable later than five years	34,359	8,090
Total Expenditure Commitments (Incl GST)	538,466	268,501

The majority of future minimum lease payments will be recouped by the Authority under sub-leases. Future minimum lease payments and receipts as at 30 June 2010 include GST recoverable input tax credits of \$48.951 million (\$24.409m at 30 June 2009) and GST payable of \$48.951 million (\$24.409m at 30 June 2009).

(c) Other Operating Expenditure Commitments	2010	2009
	\$'000	\$'000
Operating expenditure contracted at balance date but not provided for:		
Payable within one year	5,262	2,541
Payable later than one year but not later than five years	13,512	-
Payable later than five years	-	-
Total Expenditure Commitments (Incl GST)	18,774	2,541

Total operating expenditure commitments at 30 June 2010 relate to outsourced property service provider costs to 31 December 2014 as per contracts and motor vehicle costs until 18 January 2013 as per lease agreements. Operating expenditure commitments at 30 June 2010 include GST recoverable input tax credits of \$1.707 million (\$0.231m at 30 June 2009) that are expected to be recoverable from the Australian Taxation Office.

State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2010

(d) Finance Lease Liabilities	2010	2009
	\$'000	\$'000
Current		
Minimum Lease Payments	6,003	6,003
Less Finance Costs	(3,687)	(3,857)
Total Current Liability at 30 June	2,316	2,146
Non-Current		
Minimum Lease Payments	76,194	82,197
Less Finance Costs	(28,080)	(31,767)
Total Non-Current Liability at 30 June	48,114	50,430
Total Finance Lease Liability at 30 June	50,430	52,576
Aged Reconciliation of Total Finance Lease Liabilities	2010	2009
	\$'000	\$'000
Minimum Lease Payments:		
Payable within one year	6,003	6,003
Payable later than one year but not later than five years	24,014	24,014
Payable later than five years	52,180	58,183
Total Minimum Lease Payment Commitment	82,197	88,200
Finance Costs:		
Payable within one year	(3,687)	(3,857)
Payable later than one year but not later than five years	(12,762)	(13,588)
Payable later than five years	(15,318)	(18,179)
Total Finance Costs Commitment	(31,767)	(35,624)
Total Finance Lease Liability:		
Payable within one year	2,316	2,146
Payable later than one year but not later than five years	11,252	10,426
Payable later than five years	36,862	40,004
Total Finance Lease Liability at 30 June	50,430	52,576

The Authority's Finance Lease Liabilities 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 8.31% 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 2026. The discount rate implicit in the lease is 7.64% pa.

State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2010

16. CONTINGENT ASSETS AND LIABILITIES

(a) Contingent Assets

There are no known material contingent assets at 30 June 2010.

(b) Contingent Liabilities

Litigation (i)

Total Contingent Liabilities at 30 June

2010	2009
\$'000	\$'000
-	4,096
-	4,096

There are no known material contingent liabilities at 30 June 2010.

(i) Litigation - Moriah College

At 30 June 2009, a contingent liability of \$3.880m was disclosed in relation to litigation proceedings brought by the Trustees of the Moriah College Building Fund (plaintiffs). The proceedings related to the April 2004 rental review on the Moriah College, which as per the lease agreement, was determined by the Valuer General. The plaintiffs claimed the determination was invalid but paid the increased rental on a "without prejudice" basis.

On 19 May 2010, the Supreme Court of New South Wales found in favour of the plaintiffs and ordered the Authority to repay to the plaintiffs any overpaid rent plus interest. In June 2010, an amount of \$2.837 million in overpaid rent plus interest of \$0.967 million was paid to the plaintiff. Accordingly, no contingent liability in relation to the overpaid rent plus interest remains to be disclosed as at 30 June 2010.

17. FINANCIAL INSTRUMENTS

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

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

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 the Authority, to set risk limits and controls and to monitor risks. Risk management reporting and compliance with policies is reviewed on a regular basis by the Land and Property Management Authority's Audit and Risk Committee.

State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2010

(a) Financial Instrument Categories			2010	2009
			\$'000	\$'000
Financial Assets - Carrying Amounts				
<u>Class</u>	<u>Category</u>	<u>Notes</u>		
Cash and Cash Equivalents	n/a	1(s)(i), 5	131,075	140,583
Receivables	Loans and Receivables (at Amortised Cost)	1(s)(ii), 6	102,970	41,381
Financial Liabilities - Carrying Amounts				
<u>Class</u>		<u>Notes</u>		
Payables	Financial Liabilities (at Amortised Cost)	1(s)(iii), 11	19,311	29,110
Finance Leases	Financial Liabilities (at Amortised Cost)	1(q)(i), 15(d)	50,430	52,576

(b) Credit Risk

Credit risk arises when there is the possibility of the Authority's debtors defaulting on their contractual obligations, resulting in a financial loss to the Authority. 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 the Authority, including cash and receivables. No collateral is held by the Authority. The Authority has not granted any financial guarantees.

All of the Authority'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 the Authority's Land Remediation Account daily bank balance at the monthly average NSW Treasury Corporation (TCorp) 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 the Authority 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.

The Authority 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 \$4.635 million (\$2.779m at 30 June 2009) are not considered impaired and these represent 56.4% (43.8% at 30 June 2009) of the total trade debtors. Most of the Authority'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.

State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2010

Credit Risk - 2010	Overdue				Total 2010 \$'000
	<1 Mth \$'000	>1 <2 Mths \$'000	>2 <3 Mths \$'000	>3 Mths \$'000	
Financial Assets					
Receivables:					
Past Due But Not Impaired	38	935	786	2,510	4,269
Considered Impaired	-	-	38	681	719
Total Credit Risk	38	935	824	3,191	4,988
Credit Risk - 2009					
Financial Assets	Overdue				Total 2009 \$'000
	<1 Mth \$'000	>1 <2 Mths \$'000	>2 <3 Mths \$'000	>3 Mths \$'000	
Receivables:					
Past Due But Not Impaired	159	285	332	2,553	3,329
Considered Impaired	-	-	-	233	233
Total Credit Risk	159	285	332	2,786	3,562

(c) Liquidity Risk

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

The 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 Treasurer's Direction 219.01. 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. Treasurer's Direction 219.01 allows the Minister to award interest for late payment. The Minister did not award any interest for late payments during 2010 and 2009.

The Authority'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 132 "Financial Instruments: Presentation" 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 the Authority's Finance Lease liabilities is presented at Note 15(d).

State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2010

(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. The Authority's exposure to market risk is primarily through interest rate risk on the Authority's BHP Remediation interest earning bank balance held within the NSW Treasury Banking System. The Authority 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 the Authority 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 2010. The analysis assumes that all other variables remain constant.

(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. The Authority's exposure to interest rate risk is set out below.

Interest Rate Risk - 2010	Carrying Amount \$'000	-1%		+1%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Financial Assets					
Cash and Cash Equivalents	131,075	(1,020)	(1,020)	1,020	1,020
Interest Rate Risk - 2009					
Financial Assets					
Cash and Cash Equivalents	140,583	(892)	(892)	892	892

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 the Authority is not exposed to such foreign exchange fluctuations.

(e) Fair Value

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

State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2010

18. 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 the Authority as at 30 June 2010.

(b) Non-Adjusting Events

(i) Property Vesting

Government Agency Owned and Leased Office Accommodation Properties – On 6 August 2010, pursuant to Premier's Memorandum M2008-06, a total of 5 owned properties from 4 government agencies and 266 leases from 26 government agencies were vested under the provisions of the *State Property Authority Act, 2006*. For all of these owned properties and leases, the Authority took over full management from 1 October 2010.

The estimated financial impact on the Authority's 2010-11 accounts resulting from these vestings will be:

- an increase in operating revenue of approximately \$55.2m;
- an increase in operating expenses of approximately \$53.8m; and
- a transfer in of net assets totalling approximately \$2.4m.

Macquarie Park Defence Industry Hub – On 6 August 2010, the Authority vested a 3.9 hectare site from the Transport Construction Authority as part of a whole-of-Government project to lease the site on a long term basis for the development of a Defence Industry high technology business hub. Based on an independent valuation received prior to the transfer date, the site will increase the value of the Authority's net assets by \$35.2m. The increase in income from any leases negotiated on the site is yet to be quantified.

Further vesting of Government agency-owned and leased properties may occur in separate tranches during 2010-11. As the identification and validation of these properties was still in progress as at the reporting date, estimates of the financial impact on the Authority's accounts are not available.

(ii) Hunter's Hill Land Remediation

The Authority has recognised a total liability of \$9.626 million at 30 June 2010 to remediate land at lots 7, 9 and 11 Nelson Parade Hunter's Hill (Note 12(b)(iii)). The liability includes an estimate for the disposal of waste material from the site to a licensed facility in western Sydney.

Since balance date, a decision has been made to expand the terms of the Environmental Assessment (planning application) to include a review of alternative disposal options. As final assessments on these options are not expected to be completed until 2011, estimates of any potential financial impact on the amount already provided for are not available.

End of Audited Financial Statements

STATUTORY AND STATISTICAL INFORMATION

CHIEF EXECUTIVE AND SENIOR EXECUTIVE STAFF

Warwick Watkins AM

AMP:ISM P (Harv), MNatRes, DipScAgr, HDA (Hons), FAPI, Hon FISA (NSW), FRICS, JP

Chief Executive
Surveyor General
Registrar General

SES Level 7

Total remuneration package: \$430,450

Period in position: Whole year

PERFORMANCE REVIEW BY MINISTER FOR LANDS

The Minister for Lands is satisfied that during the reporting period the Chief Executive met all the performance criteria of the position.

PERFORMANCE HIGHLIGHTS

The Chief Executive:

- actively collaborated with other chief executives on key State Plan and other related targets, and integrated whole of government programs and projects
- directed and coordinated the targeted development of the Land and Property Management Authority's (LPMA) strategies to align with the State Plan
- actively led the transition of a number of government entities to form LPMA which was established in July 2009 through an Administrative Order of Government
- continued targeted reviews of legislation and implemented policy and program changes in statutory areas, including significant legislative change to the *Real Property Act 1900* and the *Valuation of Land Act 1916*. Important legislative changes during the year also included amendments to the *Crown Lands Act 1989* and the remaking of the *Wild Dog Destruction Regulation 2009*
- focused upon further business development, improvement of delivery mechanisms and access to services
- initiated strategies with LPMA's executive to address emerging workforce issues associated with the creation of the authority
- maintained the leadership role of the agency in relation to land and spatial information through the provision of quality information and supporting and enhancing appropriate information sharing between sectors and agency clusters
- developed and implemented strategies designed to improve Occupational Health and Safety performance
- managed the operations of LPMA such that revenue targets for Land and Property Information, Crown Lands and Soil Conservation Service divisions were achieved.
- chaired and actively participated on deliberations of the Geographic Names Board and Board of Surveying and Spatial Information

- directed the enhancement of the Spatial Information eXchange (SIX) as the spatial platform for NSW and led the collaborative effort across the public sector
- led and directed intra-organisational coordination and collaboration in land and property management and development across the Authority, the Hunter Development Corporation, the Festival Development Corporation, the Lake Illawarra Authority, the Chipping Norton Lakes Authority and the Sydney Harbour Foreshore Authority (from 2 June 2010)
- facilitated strong inter-organisational engagement in education, research and cross jurisdictional activities through the following positions; Deputy Chancellor University of Technology Sydney, Chair ANZLIC, Deputy Chair Cooperative Research Centre for Spatial Information, Member of the Australian Water Information Council and Deputy Chair Water for a Healthy Country Commonwealth Scientific and Industrial Research Organisation Flagship and Chair of the Australian Spatial Consortium
- continued to foster research partnerships relating to issues confronting the agency including intellectual capital reporting and spatial information management, and fostered strong ties with tertiary and other academic institutions.

Other Senior Executive staff included:

- **Mr Barry Douse** BA Hons., EMPA, GAICD, AQC, Acting General Manager from 16 November 2009, SES Level 3. Permanently appointed 16 July 2010, SES Level 5.
- **Mr Lindsay Haraldson** Dip. Bus. REM, FAPI, General Manager, Planning and Strategy, SES Level 3
- **Mr Richard Hemsworth** MBA, BSc, BEd, General Manager, Portfolio Management, SES Level 3
- **Mr Simon Furness** MBA, BSc (Hons), GAICD, General Manager, Divestments, Acquisitions and Development, SES Level 3.

REQUIREMENTS ARISING FROM EMPLOYMENT ARRANGEMENTS

The Land and Property Management Authority (LPMA) provides staff to the Authority. LPMA has produced a separate Annual Report in accordance with the *Annual Reports (Departments) Act 1985*, the *Annual Reports (Statutory Bodies) Act 1984* and the *Public Finance and Audit Act 1983*. The following is a summary of the Authority's workforce profile and other information as required under the *Annual Reports (Statutory Bodies) Regulation 2010*.

WORKFORCE PROFILE

During 2009-10 the Authority continued to develop its skills and capacity to manage the expanded property portfolio in line with its workforce plan. This was done in the context of the government's staffing and recruitment policies.

CATEGORY	2007-08	2008-09	2009-10
Senior Executive Service	5.0	4.0	3.0
Corporate Management	13.0	17.8	17.8
Property Management	50.8	64.8	66.8
TOTAL	68.8	86.6	87.6

The information in this table represents the workforce as at 30 June 2010. It excludes permanent employees of other agencies seconded to the Authority, contractors and consultants.

SES PROFILE

LEVEL	2008-09		2009-10	
	MALE	FEMALE	MALE	FEMALE
SES 6 (Personal)		1		1*
SES 5				
SES 3	3		3	
SES 2		1**		
TOTAL	5		3	

* CEO position deleted and replaced by General Manager (SES Level 5) in October 2009. No permanent appointment in 2009-10.

** Position deleted January 2009

EXCEPTIONAL MOVEMENTS IN WAGES, SALARIES OR ALLOWANCES

The *Crown Employees (Public Sector – Salaries 2008) Award* provided a salary increase of 4% effective from the first full pay period on or after 1 July 2009.

A determination by the Statutory and Other Offices Remuneration Tribunal on 2 November 2009 awarded a 3% increase to officers of the Senior Executive Service and statutory office position holders effective from 1 October 2009.

PERSONNEL POLICIES AND PRACTICES

The Authority's personnel policies and practices are currently being reviewed in consultation with the Land and Property Management Authority (LPMA) following alignment with the new entity on 1 July 2009. Therefore, the Authority did not develop any new personnel policies or implement any new practices during 2009-10 pending the outcome of the review and the standardisation of Human Resources matters across the broader LPMA.

During the year the Authority continued to enforce its Code of Conduct and administer its recreation leave policy and graduate employment program.

INDUSTRIAL RELATIONS POLICIES AND PRACTICES

As a consequence of the amalgamation of the Authority with the Land and Property Management Authority the Authority's specific Joint Consultative Committee was combined into the broader LPMA committee structure and processes. The LPMA committee remained the peak industrial consultation forum during 2009-10.

During the reporting period, the Authority's Charter for Dignity and Respect in the Workplace was signed by the former Chief Executive, and by the General Secretary of the Public Service Association of NSW.

OCCUPATIONAL HEALTH AND SAFETY

During 2009-10 the Authority continued to ensure the provision of a safe and healthy working environment for its staff. During the reporting period there were six work related injuries and no prosecutions under the *Occupational Health and Safety Act 2000*.

Specific Occupational Health and Safety initiatives during 2009-10 included:

- referral of staff to the outsourced provider of the employee assistance program
- continued implementation of a corporate influenza vaccination program for all staff and contractors employed in the Authority
- maintenance of effective workplace injury management processes with the Department of Services, Technology and Administration
- maintenance of accredited First Aid Officers with payment of requisite First Aid Allowances.

EQUAL EMPLOYMENT OPPORTUNITY

TRENDS IN THE REPRESENTATION OF EQUAL EMPLOYMENT OPPORTUNITY

EEO GROUP	% OF TOTAL STAFF			
	BENCHMARK TARGET	2007/08	2008/09	2009/10
Women	50%	31%	36%	34%
Aboriginal people and Torres Strait Islanders	2%	-	-	-
People whose first language was not English	19%	14%	15%	13%
People with a disability	12%	7%	7%	-
People with a disability requiring work-related adjustment	7%	2.2%	2.5%	-

The information in this table represents staff numbers as at 30 June 2010. It excludes casual staff and contractors.

Specific initiatives and outcomes aimed to eliminate discrimination in employment and to promote Equal Employment Opportunity (EEO) during 2009-10 included:

- inclusion of EEO principles into all recruitment and selection programs and activities
- provision of equitable employment practices through higher duties and transfers across the Authority
- the application of the Authority's Code of Conduct to all contingent workforce (contractor) resources
- review of workforce data to identify staffing, remuneration and classification profiles for existing and future workforce needs
- reasonable adjustment practices for people with a disability are included in all capital construction, fit-out and building refurbishments.

Major EEO activities and outcomes planned for 2009-10 were placed under review following the Authority's amalgamation with the Land and Property Management Authority in July 2009.

DISABILITY PLANS

During the reporting period the following outcomes were achieved in respect of disability planning:

- Reasonable adjustment practices for people with a disability were included in all capital constructions, fit-outs, building upgrades and refurbishments of office space
- Lifts were installed in government office buildings at Narrabri and Gunnedah to ensure compliance with *Disability Discrimination Act 1992* (DDA) requirements regarding access to premises
- Lifts were upgraded in the Aids Council of NSW building in the Sydney CBD, which included provision of braille call/floor buttons and voice announcements
- Disabled access ramps were installed, together with braille call/floor lift buttons and voice announcements in the Wagga Government Office Building for DDA compliance
- Disabled access ramps were upgraded in the Gunnedah, Goulburn and Moree Government Office Buildings and the Charlestown single occupancy premises. Tact tiles were also installed in these premises
- Signage upgrades were finalised in 27 government office buildings across NSW, including the provision of appropriate braille signage

- New DDA compliant toilet facilities were installed in the Bathurst, Blacktown, Cobar, Armidale, Broken Hill, Grafton, Gunnedah, Inverell, Moree and Narrabri Government Office Buildings, as well as in the McKell Building, Sydney and at the Charlestown single occupancy premises
- Building risk assessments were completed for properties vested with the Authority for the provision of disabled access facilities and for DDA compliance.

MULTICULTURAL POLICIES AND SERVICES PROGRAM

The Authority is committed to the principles of multiculturalism and to providing access for culturally and linguistically diverse communities to the facilities and properties it manages. This includes the acquisition of dwellings and development sites for the provision of Group Homes for the ageing and those with disabilities on behalf of Ageing, Disability and Home Care (ADHC). While the acquisition programs are not specifically based on ethnicity, the allocation of accommodation by ADHC does have regard to cultural linkages of its service users with their communities.

Consultation with community and cultural groups as well as residents' families is an integral part of ADHC's property selection and design criteria.

International symbols and signs are applied whenever government occupied buildings are upgraded or refurbished.

PRINCIPAL GOVERNING LEGISLATION

The Authority operates under the following principal legislation:

- *State Property Authority Act 2006*
- *Public Finance and Audit Act 1983*.

CHANGES IN LEGISLATION

Three Authority Orders were published with commencement dates in the 2009-10 financial year which vested 29 land parcels and 512 lease and licence interests into the Authority.

The Authority Order 2009 commenced on 1 July 2009. This Order amended Schedule 1 of the *State Property Authority Act 2006*, transferring five land parcels and 308 lease and licence interests to the Authority which were previously owned or administered by the Department of Environment, Climate Change and Water, Communities NSW, Department of Education and Training, Department of

Human Services, Industry and Investment NSW, Department of Justice and Attorney General, Department of Premier and Cabinet, NSW Police Force and the Department of Services, Technology and Administration.

The Authority Order (No. 2) 2009 commenced on 2 November 2009. This Order amended Schedule 1 of the *State Property Authority Act 2006* transferring five land parcels and 15 lease interests to the Authority which were previously owned or administered by the Department of Environment, Climate Change and Water, Department of Premier and Cabinet and NSW Police Force.

The Authority Order (No. 3) 2009 commenced in part on 18 December 2009 and in part on 1 April 2010. This Order amended Schedule 1 of the *State Property Authority Act 2006* transferring 19 land parcels and 189 lease and licence interests to the Authority which were previously owned or administered by the Department of Environment Climate Change and Water, Department of Education and Training, Department of Human Services, Industry and Investment NSW, Department of Justice and Attorney General, Department of Premier and Cabinet, Department of Services Technology and Administration, Transport NSW and NSW Treasury.

The *Statute Law (Miscellaneous Provisions) Act 2009 No 56* (assented 1 July 2009) amended Schedule 1 of the *State Property Authority Act 2006* by deleting references to five parcels of land previously vested in the Authority which had subsequently been determined as not appropriate for inclusion in Schedule 1.

On 30 November 2009, the *Public Sector Restructure (Miscellaneous Acts Amendments) Act 2009* amended Section 3(1) of the *State Property Act 2006* to confer on the Chief Executive of the Land and Property Management Authority the functions of the Chief Executive of the Authority.

PAYMENT OF ACCOUNTS

The following table highlights the Authority's account payment performance for 2009-10. The percentage of invoices paid on time for the year totalled 88.8% (compared to 83.8% in 2008-09). The improvement in performance over the last financial year is largely attributed to enhancements to the accounts payable systems and processes within the Authority and its outsourced property management service provider. It is expected that ongoing enhancements to invoice processing methods will see payment performance exceed 90% in 2010-11.

During 2009-10 there were no occasions where the late payment of accounts incurred an interest charge to the Authority.

ACCOUNT PAYMENT PERFORMANCE 2009-10

	1 ST QTR \$'000	2 ND QTR \$'000	3 RD QTR \$'000	4 TH QTR \$'000	TOTAL \$'000
Value of invoices paid					
Paid Before Due	68,619	62,352	63,500	91,690	286,161
<30 Days Overdue	1,812	743	1,188	981	4,724
>30<60 Days Overdue	486	285	728	993	2,492
>60<90 Days Overdue	58	197	280	2,090	2,625
>90 Days Overdue	151	143	114	179	587
Total value of invoices paid	71,126	63,720	65,810	95,933	296,589

Percentage paid on time					
number of invoices paid					
Number Paid	5,834	5,882	5,997	8,287	26,000
Number Paid on Time	5,370	5,393	5,027	7,292	23,082
Percentage paid on time	92.0%	91.7%	83.8%	88.0%	88.8%

CONSULTANTS

CONSULTANCIES PROJECTS/CATEGORIES 2009-10

	CONSULTANTS	TOTAL COST \$
Greater than \$50,000 (projects):		
Contract Transition Management	Asset Technologies Pacific	35,718
Facilities Management Strategy & Procurement	Asset Technologies Pacific	71,436
Less than \$50,000 (category):		
	Number of Consultants	
Property	4	57,306
Other	5	13,020
Total consultancies		177,480

The Authority engages consultants to augment existing expertise and resources. During 2009-10 the Authority obtained the following consultancy services:

RISK MANAGEMENT AND INSURANCE

In 2009-10 the Authority was insured with the Treasury Managed Fund which is managed by the NSW Self Insurance Corporation.

The Authority's independent Audit and Risk Management Committee operated until November 2009. The Committee met on four occasions during 2009-10. It was superseded by the Land and Property Management Authority Audit and Risk Committee. The Authority also has an internal Corporate Risk

Management Committee. Under its charter, the Corporate Risk Management Committee is responsible for:

- risk management policy and planning
- risk monitoring, including periodic review of corporate and group risk registers
- coordination of risk analyses and reporting/monitoring mechanisms
- risk management reporting to the Executive Committee.

The Committee generally met monthly during 2009-10.

In addition the Authority engaged IAB Services to provide internal audit services with a term of appointment of three years from 1 July 2007 to 30 June 2010. During 2009-10 IAB Services reported on its reviews of the following matters:

- the Agency Review Program
- Strategic Human Resources activities
- Management of commercial transactions and development
- Contract management – maintenance
- Facilities management processes – control of contractor work
- Financial and administrative processes

INTERNAL AUDIT AND RISK MANAGEMENT STATEMENT

I, Warwick Watkins am of the opinion that the State Property Authority has internal audit and risk management processes in place that, in all material respects, comply with the core requirements set out in Treasury Circular NSW TC 09/08 *Internal Audit and Risk Management Policy*.

I, Warwick Watkins am of the opinion that the Audit and Risk Committee for the Authority is constituted and operates in accordance with the independence and governance requirements of Treasury Circular NSW TC 09/08. The Chair and Members of the Audit and Risk Committee are:

- Mr Jim Mitchell, independent Chair (term of appointment is 4 years)
- Mr Bruce Clarke, independent Member 1 (term of appointment is 4 years)
- Mr Ron Cunningham, independent Member 2 (term of appointment is 4 years)
- Mr Des Mooney, non-independent Member 1 (term of appointment is 4 years)
- Mr Philip Western, non-independent Member 2 (term of appointment is 4 years).

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



Warwick Watkins AM
Chief Executive

30 September 2010

CREDIT CARDS

Credit card usage within the Authority is largely 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 the Treasurer's Direction 205.01, credit card usage by officers of the Authority during the reporting period was in accordance with relevant government policy, Premier's Memoranda and Treasurer's Directions.

The Authority has in place a corporate credit card policy that meets NSW Treasury guidelines.

LAND DISPOSAL

During 2009-10 the Authority entered into a contract for sale to transfer over 100 parcels of land on Kooragang Island and Mayfield to the Newcastle Port Corporation.

This was a related party transaction as both the vendor and purchaser were agencies of the government. The terms of the sale were determined by the former Minister for Finance and Ports and Waterways and the sale was approved by the Treasurer.

The net proceeds were received by the Authority in August 2009 and were paid to Treasury as a capital repatriation.

Access to documents relating to the disposal of the properties may be obtained under the *Government Information (Public Access) Act 2009* by contacting the Authority's Government Information Coordinator on 9338 7140.

CONSUMER RESPONSE

The Authority is not engaged in front line service delivery to the public. Mechanisms are in place for client agency feedback through its outsourced portfolio management service providers and online at feedback@spa.nsw.gov.au.

The Authority also gauges client response to its service delivery through its annual Tenant Satisfaction Survey aimed at achieving superior customer service. As a result of client feedback the Authority launched a Helpdesk to ensure that agency property management issues are properly directed to a central service point.

PRIVACY MANAGEMENT

The Authority's principal clients are other government agencies. Therefore little of the information collected and retained by the Authority falls within the definition of personal information in accordance with *Privacy and Personal Information Protection Act 1998 (PPIA Act)*. During the reporting period the Authority did not receive any applications for Internal Review under the *PPIA Act*. The Authority's Privacy Statement, Privacy Policy and information on the lodgement of complaints is available on the Authority's website at www.lpma.nsw.gov.au/spa.

WASTE REDUCTION AND PURCHASING POLICY

The Authority remains committed to complying with the government's Waste Reduction and Purchasing Policy (WRAPP).

During 2009-10 the Authority recycled the following:

- 23.42 tonnes of paper and cardboard (up 0.1% on previous year)
- 6.31 tonnes of comingled recycling (up 60.4% on previous year).

During this period the Authority continued to avoid and minimise waste by:

- complying with the government's Sustainability Policy by sourcing 6% of electricity supply as green power
- increasing the purchase of recycled, re-manufactured and environmentally sensitive office consumable products
- purchasing appliances to meet Minimum Energy Performance Standards and Water Efficiency Labelling and Standards requirements including a 4.5 star rated water efficient dishwasher
- establishing a WRAPP compliance committee to enable reporting and process/policy change and development
- establishing an Authority Green Team to assist with the implementation of sustainability initiatives
- conducting a staff sustainability survey to identify staff engagement on sustainability and specific action items for improvement
- drafting WRAPP policies to meet Authority obligations for portfolio management and corporate activities, including a purchasing policy
- recycling 50 computers and monitors that were disposed of via auction
- reviewing printer use to ensure printers met usage requirements and developing a procurement strategy to ensure the purchase of multi-function devices and defaulting devices to double-sided black and white printing
- establishing permanent roles for a contracts manager and procurement officer to support business requirements, including sustainable procurement.

In 2010-11, the Authority can look forward to further efficiencies from the implementation of the recommendations of the August 2010 waste audit conducted in Bligh House, Sydney, the Newcastle Government Office Building and the NSW Government Service Centre, Queanbeyan. 2010-11 will also see the finalisation of the Authority's WRAPP plan and a review of the waste management strategy across the Authority's owned portfolio to ensure a consistent approach. The integration of IT services with those of the broader Land and Property Management Authority should also result in efficiency gains through improved electronic document storage and systems.

FREEDOM OF INFORMATION

During 2009-10 the Authority received five new applications for access to information under the *Freedom of Information (FOI) Act, 1989**. One application was brought forward from the 2008-09 financial year. Of the six applications dealt with three were granted in full, two were granted in part (information not held) and one was carried forward to the 2010-11 financial year which required consultation with third parties. With the exception of the application brought forward from 2008-09 all FOI applications completed during the financial year were processed within the 21 day statutory period. FOI application fees during 2009-10 totalled \$120 while processing fees were estimated to be \$550.

By way of comparison the Authority received seven new FOI applications during 2008-09. Of the seven new applications four were granted in full, one was granted in part

(documents not held) and one was refused (exempt). One application was carried forward to the 2009-10 financial year which required formal consultation with third parties. With the exception of the application carried forward to 2009-10 all FOI applications dealt with during the 2008-09 financial year were processed within the 21 day statutory period. Application fees totalled \$210.00 while costs were estimated at \$825.00.

During 2009-10 the Authority's obligations under the FOI Act did not present any significant impact on the agency's resources or activities nor did any issues arise in connection with the Authority's compliance with the legislation. None of the FOI matters determined by the Authority were the subject of investigation by the NSW Ombudsman, or requests for internal review or external review by the Administrative Decisions Tribunal.

**The Freedom of Information Act 1989 was repealed on 1 July 2010 and replaced by the Government Information (Public Access) Act 2009.*

FREEDOM OF INFORMATION STATEMENT OF AFFAIRS

The *Freedom of Information (FOI) Act 1989** required information concerning documents held by the government to be made available to the public. It enabled members of the public to obtain access to documents held by the government and allowed them to ensure that records held by the government concerning their personal affairs were not incomplete, incorrect, out of date or misleading.

Under the FOI Act, the Authority was required to publish an annual Statement of Affairs which was to include information on:

- the structure and functions of the Authority
- how these functions affect the public
- the kinds of documents the Authority holds
- how members of the public may access and amend the Authority's documents
- the agency's procedures for giving access to documents or the amendment of the agency's records concerning a person's personal affairs.

The following information satisfies those requirements.

**The Freedom of Information Act 1989 was repealed on 1 July 2010 and replaced by the Government Information (Public Access) Act 2009.*

STRUCTURE AND FUNCTIONS

The *State Property Authority Act 2006* established the Authority as a statutory body with functions relating to the acquisition, management and disposal of property vested in the Crown and government agencies and to provide for the transfer of certain property to the Authority.

The major functions of the Authority are to:

- act as the government's advisor on property matters, including strategic planning

- act as the government's landlord which:
 - owns and administers government land and buildings
 - administers property leases on behalf of government
- act as the government's real estate agent which:
 - buys and sells properties
 - provides accommodation services through leases and collects rent from tenants
 - manages owned and leased properties including maintenance and pays for outgoings
- develop government generic properties such as office buildings, car parks, data centres, warehouses, depots etc.
- maintain detailed property information on owned and leased government properties.

Details on programs and activities being undertaken by the State Property Authority are provided elsewhere in this Annual Report. Information on the Authority's structure is also provided under the section entitled 'Management and Structure'.

Further information on the Authority is also available on the Authority's website at www.ipma.nsw.gov.au/spa.

EFFECT OF FUNCTIONS ON MEMBERS OF THE PUBLIC

The Authority's functions have an indirect impact on the general public. The Authority's principle objective is to improve operational efficiencies in the use and management of government properties with a view to better supporting agencies' delivery of government services to the public.

DOCUMENTS HELD

The Authority holds the following categories of documents:

- correspondence with other government agencies, local government and the private sector
- briefing papers and advice to the government
- plans, sketches, diagrams and photographs relating to project and programs
- consultancy agreements and reports
- various classes of contract in terms of Section 15A (14) of the *Freedom of Information (FOI) Act 1989*
- internal working documents relating to internal administration including recruitment, establishment, finance and expenditure, management, audit and the former Advisory Board.

All policy documents held by Authority were identified in the Authority's FOI Statement of Affairs which was published in the NSW Government Gazette by 30 June 2010 as required under the FOI Act. A copy of the summary may be found on the Authority's website at www.ipma.nsw.gov.au/spa.

ACCESS ARRANGEMENTS, PROCEDURES AND POINTS OF CONTACT

Enquiries regarding Freedom of Information matters or access to information under the new *Government Information (Public Access) Act 2009 (GIPA Act)* may be directed to:

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

GPO Box 5341, Sydney NSW 2001

Phone	9338 7140
Fax	9338 7111
Email	maryjane.maliphant@spa.nsw.gov.au

Phone enquiries may be made between the hours of 9am and 5pm, Monday to Friday.

The Authority's policy on access to government information under the GIPA Act is available on the Land and Property Management Authority's website at www.ipma.nsw.gov.au/gipa 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 percent 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 and the applicant receives an extra hour's processing before processing fees start. There is no 50 percent reduction in the application fee.

EXEMPTIONS

The Authority is exempt from reporting on the following matters for the reasons outlined below.

REPORTING REQUIREMENT	REASON FOR EXEMPTION
Funds granted to non-government organisations	The Authority 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 2009-10.
Disclosure of controlled entities	The Authority does not control any entities of the kind referred to in Section 39 (1A) of the <i>Public Finance and Audit Act, 1983</i> .
Disclosure of subsidiaries	The Authority does not control or hold shares in any subsidiaries within the meaning of the <i>Corporations Act 2001 (Cth)</i>
Agreements with the Community Relations Commission	The Authority does not have any agreements with the Community Relations Commission under the <i>Community Relations Commission and Principles of Multiculturalism Act 2000</i> .
Investment performance	The Authority's investment powers are in accordance with Part 1 of Schedule 4 of the <i>Public Authorities (Financial Arrangements) Act 1987</i> . However, all cash reserves are held in Treasury Banking System bank accounts.
Implementation of price determination	The Authority is not subject to determinations or recommendations of the Independent Pricing and Regulatory Tribunal of NSW.
Overseas Trips	The Authority's client base comprises other NSW government agencies. Therefore, no Authority staff undertook any overseas visits for the purposes of promoting or developing the business of the organisation during 2009-10.

AVAILABILITY OF THE ANNUAL REPORT

The annual report is available from the Authority in printed format. It is also available on the Authority's website www.ipma.nsw.gov.au/spa.

AGENCY CONTACTS

POSTAL ADDRESS

GPO Box 5341, Sydney NSW 2001

STREET ADDRESS

Level 9, Bligh House, 4 – 6 Bligh Street, Sydney NSW 2000

BUSINESS HOURS:

9am to 5pm, Monday to Friday

CONTACT DETAILS

Phone 9338 7000

Fax 9338 7111

Email feedback@spa.nsw.gov.au

Government Information Coordinator 9338 7140

DATE OF PUBLICATION November 2010

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EXTERNAL PRODUCTION COSTS

The total external costs of producing this annual report (including GST) were \$3787.30.

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Modern lift upgrades are part of the Authority's capital works program.



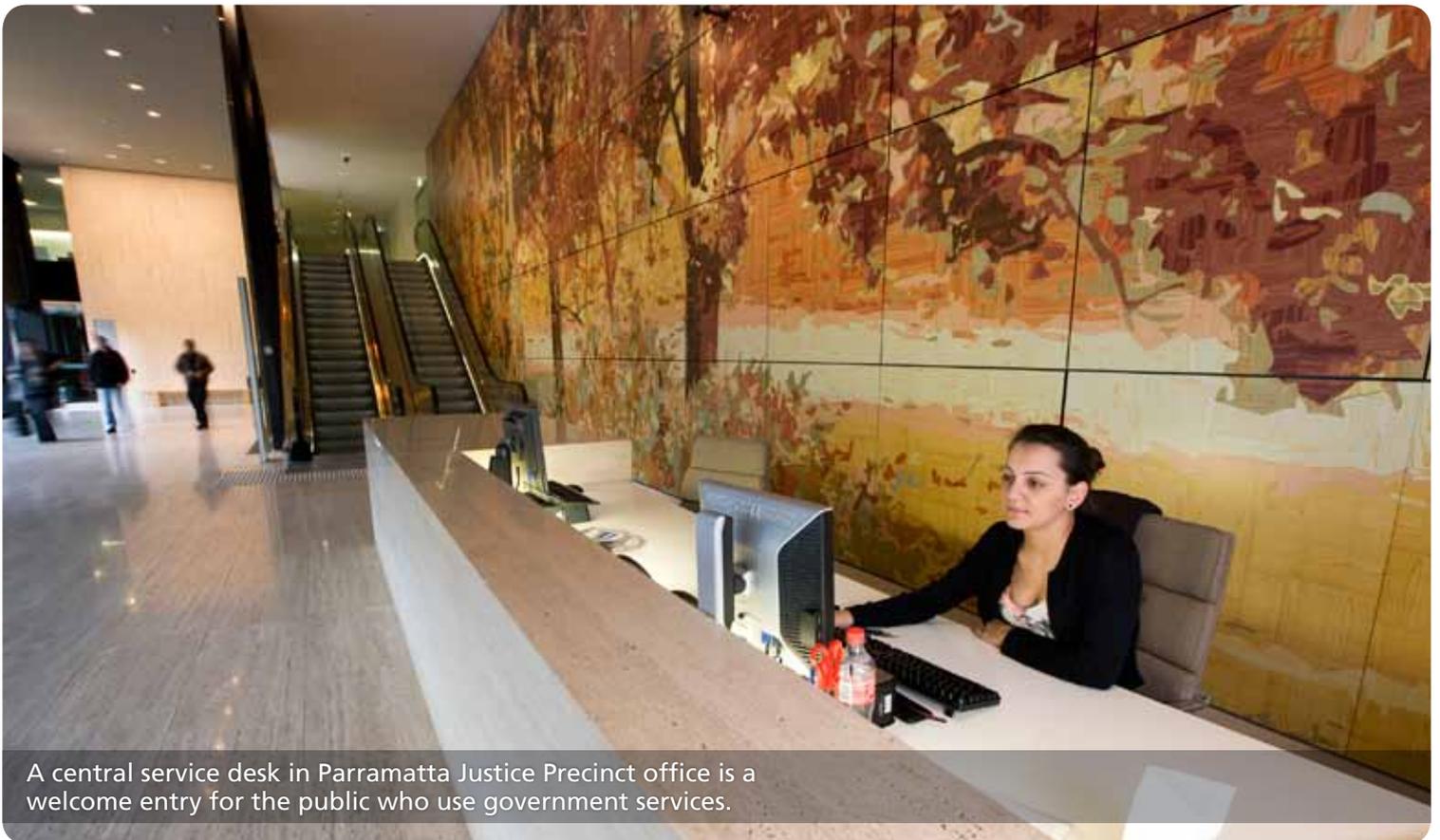
Workstations with natural light and open planning provide a pleasant environment for staff.



Solar panels are a feature of the NSW Government Office, Penrith, helping to reduce energy usage.



Meeting rooms at the Parramatta Justice Precinct use natural ventilation and other methods to reduce energy usage.



A central service desk in Parramatta Justice Precinct office is a welcome entry for the public who use government services.

State Property Authority

Head office

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4-6 Bligh Street

SYDNEY NSW 2000

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