

Department of Planning and Environment

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# Property NSW

Annual Report 2022/2023

Financial statements for the year ended 30 June 2023 and statutory information



# Acknowledgement of Country

Property & Development NSW acknowledges that it stands on Aboriginal land. We acknowledge the Traditional Custodians of the land and we show our respect for Elders past & present through thoughtful and collaborative approaches to our work, seeking to demonstrate our ongoing commitment to providing places in which Aboriginal people are included socially, culturally and economically.

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Property NSW

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# Letter of Submission

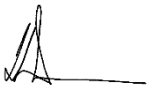
The Hon Minister Kamper MP  
Minister for Small Business  
Minister for Lands and Property  
Minister for Multiculturalism  
Minister for Sport  
52 Martin Place  
SYDNEY NSW 2000

Dear Minister

I am pleased to submit the Annual Report for Property NSW for the year ended 30 June 2023 for tabling in Parliament.

This report has been prepared in accordance with the annual reporting provisions (Division 7.3) of the *Government Sector Finance Act 2018* (GSF Act) and Treasury Policy and Guidelines 23-10 Annual Reporting Requirements (TPG23-10).

Yours sincerely



**Leon Walker**  
Chief Executive Officer  
Property NSW

Encl: PNSW Annual Report 2022-23

# Overview

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## Agency's purpose, vision and values

Property and Development NSW partners to deliver end-to-end diversified property services.

As property specialists, we design, deliver and manage workplaces, reimagine and repurpose government assets, lead sustainability and environmental programs and create precincts that help communities to thrive.

Our vision is to be at the forefront of purpose-led property solutions for government, reimagining property, rejuvenating environments and revitalising communities for the benefit of the people of NSW.

Our values and culture are the foundation for everything we do – our way of thinking, working and behaving.

Our values are daring, collaborative, creative, kind, and inclusive, which are underpinned by a culture of integrity, accountability, transparency and trust.

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## Charter

Property NSW (PNSW) has been assigned the NSW Government mandate to continually improve the management of the NSW Government's owned and leased real property portfolio, specifically generic property.

PNSW is established and operates under the principal legislation of the PNSW Act 2006 (the Act).

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## Aim and objectives

Under section 10 of the Act, the principal objectives of PNSW in exercising its functions are below:

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

PNSW has specific statutory functions set out in section 11 of the Act:

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- holding, managing, maintaining, acquiring or disposing of property for the government and government agencies;
- undertaking, managing, coordinating or participating in the development of government property;
- arranging, where appropriate, for the sharing of facilities and premises by government agencies to reduce operational expenses;
- providing property services for its own or government agency properties, including property management, maintenance and improvements;
- providing advice to the Minister in relation to government agency property, in particular:
  - whether the properties are being efficiently utilised; and
  - other matters relating to government agency properties, as the Minister directs.

\*These can be found in section 11 of the Act <https://legislation.nsw.gov.au/view/html/inforce/current/act-2006-040#sec.11>

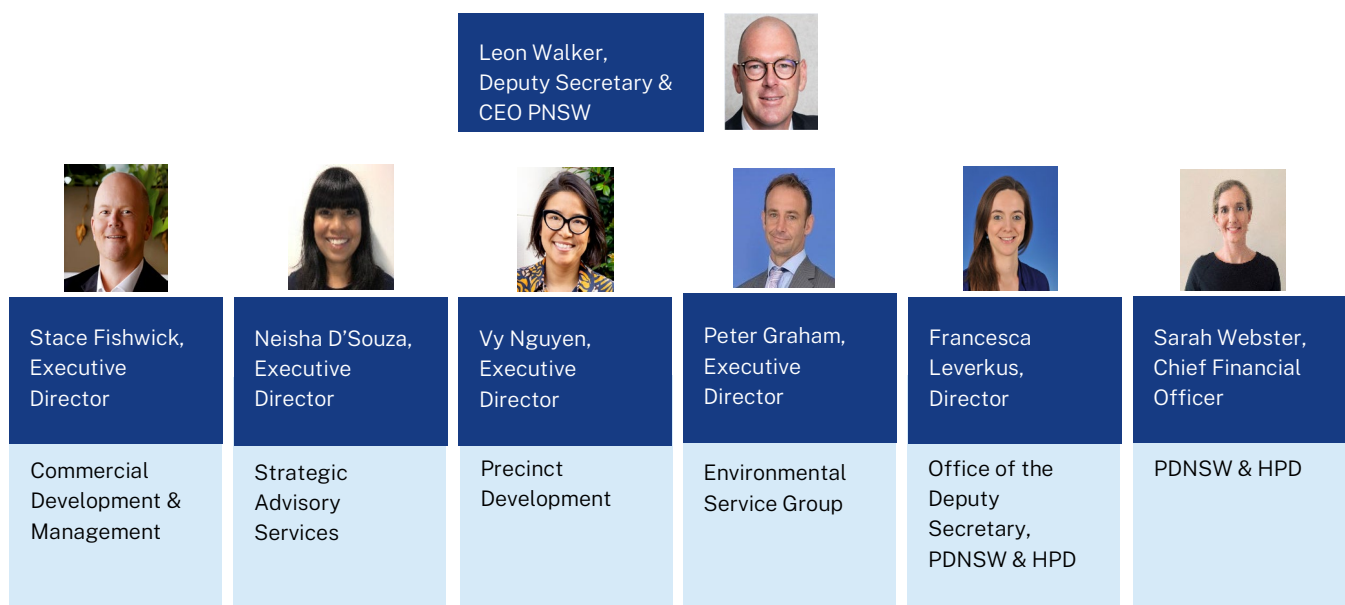
## Management and structure

PNSW falls into the Department of Planning and Environment’s (Department) Homes, Property & Development (HPD) group.

PNSW is led by a Chief Executive Officer (CEO), who reports to the Minister, both directly and via the Secretary of the Department.

The CEO of PNSW is also the Deputy Secretary for the HPD group. HPD includes several housing and property related government entities, the majority of which have their own CEOs.

The diagram below depicts the PNSW Executive team and functional responsibilities as of 30 June 2023:



# Strategy

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## Agency's strategic objectives / outcomes

Relevant information can be found within the Annual Report.

# Operations and Performance

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## Summary review of operations

PNSW, operating as Property & Development NSW (PNSW), is the central property agency for the NSW government.

We deliver end-to-end diversified property services. As property specialists, we design, deliver and manage workplaces, reimagine and repurpose government assets, lead sustainability and environmental programs, and create precincts that help communities to thrive.

Every day, PNSW partners to create purpose-led property solutions that solve problems for our government agency clients and partners and unlock whole of government opportunities, to deliver positive social, economic, and environmental outcomes for the people of NSW.

Our business units include:

- **Commercial Development & Management** – strategy, leasing, development, delivery and asset management for the Whole of Government office portfolio.
- **Environmental Service Group** (incorporating the Waste Asset Management Corporation (WAMC)) – environmental, sustainability and net zero projects, contaminated land remediation, landfill management and rehabilitation.
- **Precinct Development** – master planner and developer of large, complex precincts, multi-agency and multi-agency and multi-phase projects for government, industry and community partners across the State.
- **Strategic Advisory Services** – policy, strategy, transactional and real estate services for landowning agencies and whole of government.

Some of PNSW's significant achievements over the 12 months to 30 June 2023 are outlined below.



## Fast-tracking housing supply

- Commenced the whole of government Property Audit for Housing to identify land that can be used to unlock more housing for NSW faster.
- Developed and launched Land iQ, a world-first land-use tool helping to speed up the planning system, unlock housing faster, and save taxpayers millions of dollars a year.

## Reimagine Property

- Completed the sale of the former Berrima Correctional Centre which is set to be reimaged into as a luxury hotel, attracting visitors and economic growth.
- Completed construction of the Riverina Conservatorium of Music, a new purpose-built facility in Wagga Wagga, providing budding musicians in regional NSW a place to learn and rehearse.
- Commenced the divestment process for the Chatswood Dive Site and progressed planning on the Manly Health and Wellbeing Precinct, to deliver housing, open space, educational facilities and essential community services.
- Secured approval of a rezoning proposal to transform 5.9 hectares of under-utilised government-owned land in Lidcombe into a new mixed-use precinct.

## Rejuvenate Environments

- Creating healthier, safer communities free of contamination by progressing remediation programs at industrial sites including:
  - the closed Truegain waste oil refinery at 62 Kyle Street, Rutherford
  - the former uranium refinery and carbolic acid plant, Nelson Parade, Hunters Hill
  - the former municipal gasworks Ellis St, Waratah
- Managing environmental and financial risk posed by contaminated land for NSW Government Agencies, by providing consulting and management services.
- Managing the rehabilitation of nine legacy landfill sites owned by the WAMC.

## Revitalise Communities

- Ongoing co-creation and activation across our precincts to deliver exceptional places for people to live, work and play at Parramatta North, Macquarie Street East and Coffs Harbour Jetty Foreshore.
- Completed the restoration, conservation and activation of three heritage buildings and the surrounding landscapes at Parramatta North including the opening of the Western Sydney Startup Hub (WSSH) and Havenstone café.
- Released the Macquarie Street East Precinct Master Plan and commenced early works, including the removal of underutilised, modern additions to the historic Registrar General's Building to restore it to its original 1913 character, and create a new public square.
- Transformed Macquarie Street East into a pedestrian zone for 24 hours, with MOPOKE 2023 attracting over 45,000 visitors – a free, arts and cultural festival.

- Advanced construction of a new community building on the Jetty foreshore while refining the Coffs Jetty Revitalisation masterplan based on broad community feedback.

### **Deliver Net Zero Emissions by 2050**

- Reduction of PNSW's carbon emissions by half over the past seven years, significantly exceeding the NSW Government's Net Zero Plan Stage 1 target of reducing carbon emissions by 50% below 2005 levels by 2030.
- Continued rollout of building sustainability improvements to reduce energy, waste and water usage, and make better use of internet of things (IoT) technology and remote monitoring of buildings to achieve more efficient, comfortable and healthy workplaces.
- Rolled out smart battery systems across 13 of our owned government offices, in partnership with Shell Energy.
- Achieved a 5-star Green Star - Performance Portfolio rating and Climate Active (Carbon Neutral) certification, 5.3 star NABERS energy rating, 5.5 star NABERS water rating, and was ranked 3rd for water and 5th for energy (office) on the Australian Sustainable Portfolios.

### **Create efficiencies in the public service**

- Supported NSW Government to be an employer of choice by providing quality, modern, sustainable workplaces, including the delivery of a new workplace in Penrith for Western Parkland City Authority (WPCA).
- Progressed the regional workplace hub projects in Maitland, Dubbo and Coffs Harbour.
- Signed 160 new leases and unlocked \$231 million in savings and financial benefits for government through negotiating incentives, rental savings, make-good avoidance and landlord upgrade works.
- Appointed Cushman & Wakefield as the NSW Government's property and facilities manager to service the property portfolio managed by PNSW.
- Developed the lease consolidation framework and progressed the workplace policy reform project to create efficiencies in the NSW government's workplace portfolio.
- Delivered the maintenance program for the PNSW owned asset portfolio to address health and safety and building code compliance.

### **Compliance**

- Progression toward the Asset Management framework compliance with requirements stipulated in NSW Treasury's Asset Management Policy (TPP19-07).
- WAMC maintained certification to ISO45001:2018 (OH&S Management Systems) and ISO14001:2018 (Environment Management Systems) and extended this beyond just our Sydney based landfill sites to include our operations on environmentally impacted lands on the former Pasminco smelter site.

### **Improve outcomes for Aboriginal people**

- Launched our first Reflect Reconciliation Action Plan (RAP).

- Facilitated the transfer of Peat Island to the Darkinjung Local Aboriginal Land Council to be used for a range of tourism and cultural uses.
- Executed the sale of a government office and depot in Deniliquin to Yarkuwa Indigenous Knowledge Centre, to be used for a range of community services and as an education centre focused on First Nations Culture.

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## Management and activities

### Performance overview

PNSW delivered a net loss of \$134 million in 2022-23 principally due to market conditions beyond its control causing an impairment loss of \$146 million on right-of-use assets from leases.

### Leased Portfolio Rental Costs

PNSW seeks to add value by leveraging collective bargaining-power across agencies, delivering lower and more stable rental costs for NSW Government. During the 2022-2023 financial year, PNSW exceeded the target benchmark with 82 per cent of leases struck at or below the assessed market rent (target of  $\geq 80$  per cent).

### Vacancy rates

PNSW has maintained vacancy rates within its Sydney CBD and Sydney metropolitan commercial properties below benchmarks. As of 30 June 2023, the Sydney CBD portfolio vacancy rate was 3.5 per cent against the benchmark of 11.5 per cent; the Sydney metropolitan vacancy rate was 1.4 per cent against the benchmark estimate of 15.0 per cent. The aggregate vacancy within PNSW owned and leased property portfolios was 2.5 per cent as of 30 June 2023.

# Management and Accountability

## Human resources

Number of officers and employees by category with previous year comparison			
	2022-2023*	2021-2022*	2020-2021
Ongoing	132	99	103
Temporary	17	10	15
Executive	25	21	18
Total	174	130	136

NB: Headcount data reported at end of reporting period.

\*2021-2022 & 2022-2023 headcounts exclude Hunter & Central Coast Corporation, Sydney Olympic Park Authority, Water Asset Management Corporation and Valuation General NSW which are part of the Homes, Property & Development Group.

Numbers and Remuneration of Senior Executives 2022-2023				
	Female	Male	Non-Binary	Total
Band 4 Secretary	-	-	-	-
Band 3 Group/Deputy Secretary	-	1	-	1
Band 2 Executive Director	2	2	0	4
Band 1 Director	8	11	1	20
Total	10	14	1	25

NB: These are Senior Executive statistics as of 22 June 2023. This data is based solely on senior executives in their substantive role and band level.

Average Remuneration of Senior Executives 2022-2023		
	Range (\$)	Average Remuneration (\$)
Band 4 Secretary	-	-
Band 3 Group/Deputy Secretary	-	-
Band 2 Executive Director	\$303,195-\$329,933	\$313,136
Band 1 Director	\$216,642-\$265,993	\$237,857

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## Legislation

## Consultants

Consultant's Name	Amount of Consultancy	Title of Project	Categorised by the Nature of Consultancy	Total Number of Engagements
PricewaterhouseCoopers Consulting	\$600,000	Workplace Model Review	Strategic Review	1

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## Additional matters for inclusion

### External costs incurred in producing this report.

There were no external costs (e.g. fees for consultants and printing costs) incurred in producing this report.

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## Governance matters

PNSW has adopted the DPE Risk Management Framework and the DPE Business Continuity Management Framework. DPE provides services to PNSW under these Frameworks. For more information, please see the DPE Annual Report.

Under Clause 6 of the Annual Reports (Departments) Regulation 2010, PNSW must provide a statement of its actions to comply with the requirements of the Privacy and Personal Information Protection Act 1998 (PPIP Act). It must also provide statistical details of any reviews conducted by or on behalf of the agency, under Part 5 of the PPIP Act.

PNSW complies with the Privacy Management Plan for the Department. The Plan outlines how the Department and its associated entities comply with the principles of the PPIP Act and the Health Records and Information Privacy Act 2002. Officers in the department's Information Access & Privacy unit also provide specialist privacy advice and training to staff.

In 2022-23, PNSW received one application for review under Part 5 of the PPIP Act when a member of a community felt that his family's privacy had been breached by agency officers at a community meeting. The applicant was unable to provide any evidence to support their allegations and others at the meeting did not support their version of events. The Department's investigation found that no breach had occurred.

If complaints about PNSW are received through the Department's Feedback Assist platform, they will be managed under the Department's complaint handling process and will be included in the Department's statistical information.

Under Schedule 3 of the Government Information (Public Access) Regulation 2018, PNSW is a subsidiary agency for the purposes of the Government Information (Public Access) Act 2009. Therefore, all statistical information about access applications required to be included in an annual report regarding PNSW, in compliance with s125 of the Government Information (Public Access) Act 2009 and Clause 8 of the Government Information (Public Access) Regulation 2018, is included in the Department's annual report.

Under the Public Interest Disclosures Act 1994, each public authority is required to prepare an annual report on their obligations under this Act. Information for PNSW is captured in the Department's Annual Report as all Public Interest Disclosures are managed centrally by the Department.

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## **Legal Change**

### **Changes in Acts and subordinate legislation**

#### Transfer of Property Orders

PNSW provides a range of statutory acquisitions services, which include vesting under the PNSW Act 2006. A total of five lots (across three separate sites) were vested to PNSW during the financial year for the purposes of ongoing management or to facilitate disposal.

### **Significant judicial decisions**

There was one significant judicial decision that affected PNSW.

#### Valuer-General v Sydney Fish Market Pty Ltd [2023] NSWCA 52

This decision of the NSW Court of Appeal found that a Crown Land lease continues to be subject to the Crown Lands Management Act 2016 (CLMA) despite the land having transferred from the Crown Lands estate. In this instance, the land had transferred from the Crown Lands estate to State Property Authority (now PNSW) by vesting in 2006. The implication of this decision is that the Minister administering the CLMA still has powers and functions in relation to such a lease, even though the lease is no longer held over Crown Land.

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## **Events arising after the end of the annual reporting period**

After the end of the annual reporting period, there are no known events having a significant effect on the financial operations, other operations or the clientele and community served for PNSW.

## Exemptions and nil reports

Reporting requirement	Reason for exemption
Disclosure of controlled entities	PNSW 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	PNSW does not control or hold shares in any subsidiaries within the meaning of the <i>Corporations Act 2001</i> (Cth.).
Funds granted to Non-Government Organisations	PNSW did not make any grants to any non-government community organisations during 2022/2023.
Agreements with Multicultural NSW	PNSW does not have any agreements with Multicultural NSW under the <i>Multicultural Act 2000</i> .
Implementation of Price Determination	PNSW is not subject to determinations or recommendations of the Independent Pricing and Regulatory Tribunal of NSW.
Inclusion of unaudited financial statements	Not applicable.
Investment Performance	All PNSW investment powers are in accordance with Division 6.4 of the <i>Government Sector Finance Act 2018</i> . However, all cash reserves are held in Treasury Banking System (TBS) bank accounts.
Liability management performance	Not applicable, as PNSW does not have a level of debt greater than \$20 million.
Land Disposal	No properties with a value greater than \$5 million were disposed of during 2022/2023 without going to public auction or tender.  PNSW keeps a register of government contracts. All contracts greater than \$150,000 are released on the site: <a href="https://tenders.nsw.gov.au/">https://tenders.nsw.gov.au/</a> .
Research and Development	Not Applicable.

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## Requirements arising from employment arrangements

The Department provided personnel services in 2022/2023 to PNSW.

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## Promotion

As confirmed by review of general ledger (financial) transactions in the financial year ended 30 June 2023, no overseas travel was taken by PNSW's employees.

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## Internal Audit & Risk Management (compliance with TPP20-08)

### 2022-2023 Financial Year for Property NSW

I, Leon Walker, Chief Executive Officer, Property NSW, am of the opinion that Property NSW has internal audit and risk management processes in operation that are compliant with the seven (7) Core Requirements set out in the *Internal Audit and Risk Management Policy for the General Government Sector*, specifically:

#### Core Requirements

##### Risk Management Framework

- |     |   |                  |
|-----|---|------------------|
| 1.1 | The Accountable Authority shall accept ultimate responsibility and accountability for risk management in the agency.  | <b>Compliant</b> |
| 1.2 | The Accountable Authority shall establish and maintain a risk management framework that is appropriate for the agency. The Accountable Authority shall ensure the framework is consistent with AS ISO 31000:2018. | <b>Compliant</b> |

##### Internal Audit Function

- |     |  |                  |
|-----|--|------------------|
| 2.1 | The Accountable Authority shall establish and maintain an internal audit function that is appropriate for the agency and fit for purpose.                                    | <b>Compliant</b> |
| 2.2 | The Accountable Authority shall ensure the internal audit function operates consistent with the International Standards for the Professional Practice for Internal Auditing. | <b>Compliant</b> |
| 2.3 | The Accountable Authority shall ensure the agency has an Internal Audit Charter that is consistent with the content of the 'model charter'.                                  | <b>Compliant</b> |

##### Audit and Risk Committee

- |     |   |                  |
|-----|---|------------------|
| 3.1 | The Accountable Authority shall establish and maintain efficient and effective arrangements for independent Audit and Risk Committee oversight to provide advice and guidance to the Accountable Authority on the agency's governance processes, risk management and control frameworks, and its external accountability obligations. | <b>Compliant</b> |
| 3.2 | The Accountable Authority shall ensure that the Audit and Risk Committee has a Charter that is consistent with the 'model charter'.   | <b>Compliant</b> |



For the 2022-23 reporting period, the independent Chair and members of the Audit and Risk Committee were:

Role	Name	Start Term Date	Finish Term Date
Independent Chair	Carol Holley	30 March 2020	30 June 2023*
Independent Member	Arthur Butler	30 March 2020	29 March 2023
Independent Member	Nirmal Hansra	30 March 2020	30 June 2023*
Independent Member	Brendan Crotty	30 March 2023	29 March 2026

\* Extended term of appointment from 30 March 2023 to 30 June 2023.

### Shared Arrangements

I, Leon Walker, Chief Executive Officer, Property NSW, advise that Property NSW has entered into an approved shared arrangement comprising the following agencies:

- Property NSW
- Luna Park Reserve Trust
- Hunter and Central Coast Development Corporation
- Place Management NSW
- Sydney Olympic Park Authority
- Waste Assets Management Corporation
- Planning Ministerial Corporation
- Cemeteries and Crematoria NSW

The resources shared include the Audit and Risk Committee, the Chief Audit Executive, and the internal audit function. The shared Audit and Risk Committee is a collaborative shared Audit and Risk Committee.



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Leon Walker  
**Chief Executive Officer**  
**Property NSW (Property**  
**and Development NSW)**

Date: 01 August, 2023

Agency Contact:  
Suzette Gay  
Director Audit 02  
9289 6912

## Digital information security policy attestation

### Cyber Security Annual Attestation for the 2022-2023 Financial Year for Property

#### NSW

I, Leon Walker, Deputy Secretary of Homes, Property and Development, am of the opinion that Property NSW has managed cyber security risks via the Department of Planning and Environment and the Department of Customer Service in a manner consistent with the Mandatory Requirements set out in the NSW Government Cyber Security Policy.

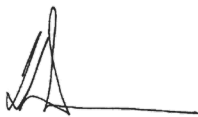
Both Departments have their own Cyber Security Strategy in place to ensure a constant focus on improving and managing cyber security governance, risk, and resilience. Continuous assessment and management of risks to the Department's information and critical systems is accomplished through our cyber security program and routine operational activities.

Throughout the previous financial year, the Department of Planning and Environment has undertaken independent audits of its Information Security Management System, cyber security controls, and compliance with the NSW Cyber Security Policy. These audits uncovered areas of positive progress as well as potential areas for improvement, all in alignment with the dynamic cyber security threat landscape.

Both departments regularly update their own cyber security incident response plan and conduct annual testing to ensure its effectiveness.

The Department of Planning and Environment's Digital Information Office successfully maintained compliance with the international security standard ISO 27001, "*Information Technology - Security techniques - Information security management systems*," as certified by an Accredited Third Party (BSI Certificate Number: IS 645082).

The Departments remain committed to bolstering their technology environments and raising awareness among all employees regarding cyber security and privacy risks.



Leon Walker

Deputy Secretary of Homes, Property and Development Property NSW

Date: 26 October 2023

# Sustainability

## Workforce Diversity

Trends in the Representation of Workforce Diversity Groups				
Workforce Diversity Group	Benchmark	2021	2022	2023
Women	50%	53.9%	54.8%	53%
Aboriginal and/or Torres Strait Islander People	3.3%	3.2%	1.8%	0.6%
People whose First Language Spoken as a Child was not English	23.2%	9.9%	10.7%	12.6%
People with Disability	5.6%	1.7%	1.2%	2.9%
People with Disability Requiring Work-Related Adjustment	N/A	1.0%	0.6%	0.0%

Note 1: The benchmark of 50% for representation of women across the sector is intended to reflect the gender composition of the NSW community.

Note 2: The NSW Public Sector Aboriginal Employment Strategy 2014–17 introduced an aspirational target of 1.8% of each salary band being filled by Aboriginal employees by 2021 and a cumulative target of 3.3%.

Note 3: A benchmark from the Australian Bureau of Statistics (ABS) Census of Population and Housing has been included for People whose First Language Spoken as a Child was not English. The ABS Census does not provide information about first language, but it does provide information about country of birth. The benchmark of 23.2% is the percentage of the NSW general population born in a country where English is not the predominant language.

Note 4: In December 2017 the NSW Government announced the target of doubling the representation of people with disability in the NSW public sector from an estimated 2.7% to 5.6% by 2027. More information can be found at: [Jobs for People with Disability: A plan for the NSW public sector](#). The benchmark for 'People with Disability Requiring Work-Related Adjustment' was not updated.

<b>Trends in the Distribution Index for Workforce Diversity Groups</b>				
<b>Workforce Diversity Group</b>	<b>Benchmark</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
Women	100	94	93	92
Aboriginal and/or Torres Strait Islander People	100	N/A	N/A	N/A
People whose First Language Spoken as a Child was not English	100	101	N/A	97
People with a Disability	100	N/A	N/A	N/A
People with a Disability Requiring Work-Related Adjustment	100	N/A	N/A	N/A

Note 1: A Distribution Index score of 100 indicates that the distribution of members of the Workforce Diversity group across salary bands is equivalent to that of the rest of the workforce. A score less than 100 means that members of the Workforce Diversity group tend to be more concentrated at lower salary bands than is the case for other staff. The more pronounced this tendency is, the lower the score will be. In some cases, the index may be more than 100, indicating that members of the Workforce Diversity group tend to be more concentrated at higher salary bands than is the case for other staff.

Note 2: The Distribution Index is not calculated when the number of employees in the Workforce Diversity group is less than 20 or when the number of other employees is less than 20.

## Work Health and Safety

Tables 1, 2 and 3 show PNSW's Work Health and Safety (WHS) performance and details of injuries for 2022-23.

PNSW was not subject to prosecutions under the NSW WHS Act 2011 in 2022-23.

Table 1 - Distribution of injuries reported published by the Department's WHS Team as at 30 June 2023.

<b>Injury Outcome</b>	<b>Injury Numbers</b>	<b>Injury %</b>
No treatment/first aid treatment	6	85.71%
Lost time injury	1	14.29%

Table 2 – Cause of injury published by Icare Insurance as at 30 June 2023.

Mechanism of Injury	Number of Claims	Claims %
Falls, trips, and slips of a person	1	50.00%
Mental stress	1	50.00%

Table 3 - Lost time rates calculated from Icare Insurance data as at 30 June 2023.

Lost time claim count	1
Lost time frequency rate	4.55*
Lost time incident rate	0.76**
Average Lost Time Rate	42.86
Lost Time Severity Rate	194.80

\* Recording a Lost Time Injury Frequency Rate (per million hours worked) of 4.55. The lost time incident rate is below the NSW Government Administration benchmark of 4.9 (SafeWork Australia).

\*\*A Metric used to determine the rate of LTIs per 100 employees.

## Modern Slavery Act 2018 (NSW)

PNSW operates under the Department’s procurement framework and the Department provides procurement services to the Agency. All Modern Slavery Act 2018 (NSW) requirements are managed through this framework. For further information on please see the Department’s Annual Report.

# Financial Performance

## Property NSW

Annual Report 2022/2023

Financial statements for the year ended 30 June 2023



## INDEPENDENT AUDITOR'S REPORT

### Property NSW

To Members of the New South Wales Parliament

#### Opinion

I have audited the accompanying financial statements of Property NSW, which comprise the Statement by the Accountable Authority, the Statement of Comprehensive Income for the year ended 30 June 2023, the Statement of Financial Position as at 30 June 2023, the Statement of Changes in Equity and the Statement of Cash Flows, for the year then ended, notes comprising a Statement of Significant Accounting Policies, and other explanatory information.

In my opinion, the financial statements:

- have been prepared in accordance with Australian Accounting Standards and the applicable financial reporting requirements of the *Government Sector Finance Act 2018* (GSF Act), the *Government Sector Finance Regulation 2018* (GSF Regulation) and the Treasurer's Directions
- presents fairly the Property NSW's financial position, financial performance and cash flows.

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

#### Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Property NSW in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants (including Independence Standards)' (APES 110).

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles 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
- precluding the Auditor-General from providing non-audit services.

I have fulfilled my other ethical responsibilities in accordance with APES 110.

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

## **Chief Executive Officer's Responsibilities 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, the GSF Act, GSF Regulation and Treasurer's Directions. The Chief Executive Officer's responsibility also includes such internal control as the Chief Executive Officer determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Executive Officer is responsible for assessing the Property NSW's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf) . The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

- that the Property NSW carried out its activities effectively, efficiently and economically
- about the assumptions used in formulating the budget figures disclosed in the financial statements
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Min Lee  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

13 October 2023  
SYDNEY



# Property NSW

## Financial Statements

For the Year Ended 30 June 2023

### Statement by the Accountable Authority

Pursuant to section 7.6(4) of the *Government Sector Finance Act 2018* ('the Act'), I state that these financial statements:

- have been prepared in accordance with the Australian Accounting Standards and the applicable requirements of the Act, the *Government Sector Finance Regulation 2018* and the Treasurer's directions, and
- present fairly Property NSW's financial position, financial performance and cash flows.



**Leon Walker**  
Chief Executive Officer  
Property NSW

Date: 12 October 2023

**PROPERTY NSW**  
**Start of Audited Financial Statements**  
**Statement of Comprehensive Income**  
**For the Year Ended 30 June 2023**

	Note	Actual 2023 \$'000	Budget 2023 \$'000	Actual 2022 \$'000
<b>Continuing Operations</b>				
<b>Expenses</b>				
Operating Expenses:				
Personnel services	2(a)	23,458	25,600	19,512
Other operating expenses	2(b)	241,671	228,877	207,918
Depreciation and amortisation	2(c)	377,896	410,603	72,587
Grants and subsidies	2(d)	3,488	10,338	4,000
Finance costs	2(e)	151,466	107,072	112,514
<b>Total Expenses</b>		<b>797,979</b>	<b>782,490</b>	<b>416,531</b>
<b>Revenue</b>				
Sale of goods and services	3(a)	664,773	707,829	276,488
Investment revenue	3(b)	8,620	11,276	81,771
Grants and contributions	3(c)	102,767	149,125	70,737
Other revenue	3(d)	4,899	15,951	274
<b>Total Revenue</b>		<b>781,059</b>	<b>884,181</b>	<b>429,270</b>
<b>Operating Result</b>		<b>(16,920)</b>	<b>101,691</b>	<b>12,739</b>
Gain/(loss) on disposal of non-current assets	4(a)	(4,235)	6,351	(4,734)
Other gains/(losses)	4(b)	(95,676)	25,287	(538,923)
<b>NET RESULT</b>		<b>(116,831)</b>	<b>133,329</b>	<b>(530,918)</b>
<b>Other Comprehensive Income</b>				
<i>Items that will not be reclassified to net result</i>				
Net increase/(decrease) in property, plant and equipment revaluation surplus	17(i)	(17,140)	-	67,926
<b>Total other comprehensive income</b>		<b>(17,140)</b>	<b>-</b>	<b>67,926</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>(133,971)</b>	<b>133,329</b>	<b>(462,992)</b>

The accompanying notes form part of these financial statements.

**PROPERTY NSW**

**Statement of Financial Position**

As at 30 June 2023

Note	Actual 2023 \$'000	Budget 2023 \$'000	Actual 2022 \$'000	
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	6	75,663	70,849	86,296
Receivables	7	127,453	87,325	111,524
Non-Current assets held for sale	8	-	156	157
<b>Total Current Assets</b>		<b>203,116</b>	<b>158,330</b>	<b>197,977</b>
<b>Non-Current Assets</b>				
Receivables	7	454,195	413,231	472,750
Property, plant and equipment	9	1,192,914	1,069,929	1,160,303
Right-of-use assets	10	2,944,205	3,611,907	3,977,830
Intangible assets	12	589	155	154
<b>Total Non-Current Assets</b>		<b>4,591,903</b>	<b>5,095,222</b>	<b>5,611,037</b>
<b>TOTAL ASSETS</b>		<b>4,795,019</b>	<b>5,253,552</b>	<b>5,809,014</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Payables	13	96,120	43,632	54,772
Borrowings	14	300,873	400,753	356,388
Provisions	15	55,573	38,058	55,044
Other current liabilities	16	37	38	37
<b>Total Current Liabilities</b>		<b>452,603</b>	<b>482,481</b>	<b>466,241</b>
<b>Non-Current Liabilities</b>				
Borrowings	14	3,569,245	3,915,360	4,363,570
Provisions	15	191,815	171,066	183,234
Other non-current liabilities	16	28	103	65
<b>Total Non-Current Liabilities</b>		<b>3,761,088</b>	<b>4,086,529</b>	<b>4,546,869</b>
<b>TOTAL LIABILITIES</b>		<b>4,213,691</b>	<b>4,569,010</b>	<b>5,013,110</b>
<b>NET ASSETS</b>		<b>581,328</b>	<b>684,542</b>	<b>795,904</b>
<b>EQUITY</b>				
Asset revaluation reserve	17	249,699	207,438	271,928
Accumulated funds	18	331,629	477,104	523,976
<b>TOTAL EQUITY</b>		<b>581,328</b>	<b>684,542</b>	<b>795,904</b>

The accompanying notes form part of these financial statements.

**PROPERTY NSW**

**Statement of Changes in Equity**

For the Year Ended 30 June 2023

Note	Accumulated Funds \$'000	Asset Revaluation Reserve \$'000	Total Equity \$'000
<b>Balance at 1 July 2022</b>	<b>523,976</b>	<b>271,928</b>	<b>795,904</b>
<b>Net Result for the Year</b>	<b>(116,831)</b>	<b>-</b>	<b>(116,831)</b>
<b>Other comprehensive income</b>			
Transfer of asset revaluation reserve on derecognition of assets	17	5,089	(5,089)
Net increase/(decrease) in property, plant and equipment revaluation surplus	17(i)	-	(17,140)
<b>Total other comprehensive income</b>	<b>5,089</b>	<b>(22,229)</b>	<b>(17,140)</b>
<b>Total comprehensive income for the year</b>	<b>(111,742)</b>	<b>(22,229)</b>	<b>(133,971)</b>
<b>Transactions with owners in their capacity as owners</b>			
Net increase/(decrease) in net assets from equity transfers	18(i)	(80,605)	-
<b>Total transactions with owners as owners</b>	<b>(80,605)</b>	<b>-</b>	<b>(80,605)</b>
<b>Balance at 30 June 2023</b>	<b>331,629</b>	<b>249,699</b>	<b>581,328</b>

Note	Accumulated Funds \$'000	Asset Revaluation Reserve \$'000	Total Equity \$'000
<b>Balance at 1 July 2021</b>	<b>1,051,916</b>	<b>206,938</b>	<b>1,258,854</b>
<b>Net Result for the Year</b>	<b>(530,918)</b>	<b>-</b>	<b>(530,918)</b>
<b>Other comprehensive income</b>			
Transfer of asset revaluation reserve on derecognition of assets	17	2,936	(2,936)
Net increase/(decrease) in property, plant and equipment revaluation surplus	17(i)	-	67,926
<b>Total other comprehensive income</b>	<b>2,936</b>	<b>64,990</b>	<b>67,926</b>
<b>Total comprehensive income for the year</b>	<b>(527,982)</b>	<b>64,990</b>	<b>(462,992)</b>
<b>Transactions with owners in their capacity as owners</b>			
Net increase/(decrease) in net assets from equity transfers	18(i)	42	-
<b>Total transactions with owners as owners</b>	<b>42</b>	<b>-</b>	<b>42</b>
<b>Balance at 30 June 2022</b>	<b>523,976</b>	<b>271,928</b>	<b>795,904</b>

The accompanying notes form part of these financial statements.

**PROPERTY NSW**

**Statement of Cash Flows**

For the Year Ended 30 June 2023

Note	Actual 2023 \$'000	Budget 2023 \$'000	Actual 2022 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Payments</b>			
Employee related	(23,284)	(25,600)	(19,713)
Grants and subsidies	(3,488)	(10,338)	(4,000)
Finance costs	(151,466)	(107,072)	(112,503)
Payments to suppliers (inclusive of GST)	(243,281)	(224,677)	(193,201)
<b>Total Payments</b>	<b>(421,519)</b>	<b>(367,687)</b>	<b>(329,417)</b>
<b>Receipts</b>			
Receipts from customers (inclusive of GST)	667,898	632,480	297,691
Interest received	8,620	5,213	81,771
Grants and contributions	102,767	149,125	70,737
<b>Total Receipts</b>	<b>779,285</b>	<b>786,818</b>	<b>450,199</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>6(b) 357,766</b>	<b>419,131</b>	<b>120,782</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of property, plant and equipment	(72,121)	(118,825)	(73,795)
Proceeds from sale of property, plant and equipment	6,529	106,351	5,436
Receipts of principal portion of finance lease receivables	21,597	23,448	352,328
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(43,995)</b>	<b>10,974</b>	<b>283,969</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payment of principal portion of lease liabilities	(324,404)	(404,373)	(394,868)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>(324,404)</b>	<b>(404,373)</b>	<b>(394,868)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(10,633)</b>	<b>25,732</b>	<b>9,883</b>
Opening cash and cash equivalents	86,296	45,117	76,413
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<b>6(a) 75,663</b>	<b>70,849</b>	<b>86,296</b>

The accompanying notes form part of these financial statements.

# PROPERTY NSW

## Section A: Entity Information and Basis of Preparation

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2023

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Reporting Entity

Property NSW (PNSW) was established under the *Property NSW Act 2006* ("the Act") to improve the management of the NSW Government's owned and leased real property portfolio and to become a central agency with a whole-of-government focus on the acquisition, disposal and better utilisation of real property assets.

PNSW commenced operations on 1 September 2006 and is domiciled in Australia. Its principal business address is 4 Parramatta Square, 12 Darcy Street, Parramatta NSW 2150. PNSW is a not-for-profit entity as profit is not its principal objective. PNSW is consolidated as part of the NSW Total State Sector Accounts.

Under the Act, PNSW is unable to employ staff. However, to enable it to exercise its functions, PNSW can obtain personnel services from Government agencies who are able to engage staff under Part 4 of the *Government Sector Employment Act 2013*. During 2022-23, personnel services were provided by the Department of Planning and Environment (DPE). DPE, a principal department, is a separate reporting entity and does not control PNSW for financial reporting purposes.

These financial statements have been authorised for issue by PNSW's Chief Executive Officer on 12 October 2023.

#### (b) Basis of Preparation

PNSW's financial statements are general purpose financial statements which have been prepared on an accrual basis and in accordance with:

- (i) applicable Australian Accounting Standards (which include Australian Accounting Interpretations);
- (ii) the requirements of the *Government Sector Finance Act 2018* (GSF Act); and
- (iii) Treasurer's Directions issued under the GSF Act.

Property, plant and equipment, assets held for sale and investment property are measured at fair value. Borrowings are initially measured at the fair value of the consideration received and subsequently measured at amortised cost using the effective interest method. Other financial report items are prepared in accordance with the historical cost convention except where specified otherwise.

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

In the application of PNSW's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are recognised, or in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Judgements, key assumptions and estimations made by management are disclosed in the relevant notes to the financial statements.

PNSW's financial statements are prepared on a going concern basis as the assumption that PNSW is a going concern is justified.

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

## PROPERTY NSW

### Section A: Entity Information and Basis of Preparation

#### Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2023

##### (c) Statement of Compliance

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

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

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

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

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

##### (e) Comparative Information

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

##### (f) Fair Value Measurement and Hierarchy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability.

A number of PNSW's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring fair value, the valuation technique used maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Under AASB 13 "Fair Value Measurement", PNSW categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

Level 1 – quoted (unadjusted) prices in active markets for identical assets/liabilities that PNSW can access at the measurement date.

Level 2 – inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.

Level 3 – inputs that are not based on observable market data (unobservable inputs).

PNSW recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Refer to Notes 9, 10, 11 and 19 for further disclosures regarding fair value measurements of financial and non-financial assets.

# PROPERTY NSW

## Section A: Entity Information and Basis of Preparation

### Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2023

#### (g) Changes in Accounting Policy including New or Revised Australian Accounting Standards

##### (i) Effective for the First Time in 2022-23

The accounting policies applied in 2022-23 are consistent with those of the previous financial year except as a result of the following revised Australian Accounting Standards that have been applied for the first time in 2022-23:

- AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments
- AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current - Deferral of Effective Date
- AASB 2021-7a Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections
- AASB 2022-3 Amendments to Australian Accounting Standards – Illustrative Examples for Not-for-Profit Entities accompanying AASB 15

The adoption of the above revised Australian Accounting Standards has not had any significant impact on PNSW's financial statements.

##### (ii) Issued but Not Yet Effective

NSW public sector entities are not permitted to adopt new Australian Accounting Standards in advance of their implementation date unless Treasury determines otherwise. Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2023 reporting period.

The following new standards have not been applied and are not yet effective. The impact of the following standards in the period of initial application is not expected to be significant:

- AASB 17 Insurance Contracts
- AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current
- AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates
- AASB 2021-5 Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- AASB 2021-6 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards
- AASB 2021-7c Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections
- AASB 2021-7b Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections
- AASB 2022-1 Amendments to Australian Accounting Standards – Initial Application of AASB 17 and AASB 9 – Comparative Information
- AASB 2022-6 Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants
- AASB 2022-7 Editorial Corrections to Australian Accounting Standards and Repeal of Superseded and Redundant Standards
- AASB 2022-8 Amendments to Australian Accounting Standards – Insurance Contracts: Consequential Amendments
- AASB 2022-9 Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector
- AASB 2022-10 Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities



# PROPERTY NSW

## Section B: Financial Performance

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2023

### 2. EXPENSES

#### (a) Personnel Services

	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Salaries and Wages (Including Recreation Leave)	19,701	17,162
Contractors	885	489
Superannuation	1,337	1,202
Long Service Leave	227	(430)
Worker's Compensation Insurance	(46)	198
Payroll Tax and Fringe Benefits Tax	1,119	891
Voluntary Redundancies	235	-
	<b>23,458</b>	<b>19,512</b>

Personnel services is the expense incurred by PNSW on personnel services provided to it by the principal department, DPE. Under the *Property NSW Act 2006*, PNSW is unable to employ staff directly (Note 1). A liability is recognised for the employee-benefit related liabilities recognised by DPE and charged to PNSW.

#### (b) Other Operating Expenses

	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Property Head Lease Expense (i)	156,623	114,966
Other Property Related Expenses (ii)	46,721	56,268
Other Operating Expenses (iii)	38,327	36,684
	<b>241,671</b>	<b>207,918</b>

##### (i) Property Head Lease Expense

	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Minimum Lease Payments (a)	60,850	13,677
Rental Expenses Arising from Sub-Leases (b)	95,810	101,329
	<b>156,660</b>	<b>115,006</b>
Less Amortisation of Lessor Lease Incentives ((c) and Note 16(b))	(37)	(40)
	<b>156,623</b>	<b>114,966</b>

(a) Operating lease payments are recognised in the Net Result and charged on a straight-line basis over the lease term.

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

(c) Prior to 1 July 2019, lease incentives received which were less than \$0.5 million were recognised directly in the Net Result in the year in which they were received. Lease incentives received which were greater than this amount were recognised in the Statement of Financial Position and were allocated to the Net Result over the lease term (Notes 16).

## PROPERTY NSW

### Section B: Financial Performance

#### Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2023

(ii) Other Property Related Expenses

	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Management Fees (a)	8,924	10,278
Gas and Electricity	1,368	892
Maintenance (b)	23,619	21,973
Cleaning	4,882	3,881
Rates and Levies	324	903
Security	1,706	1,620
Valuations	288	122
Lease Early Termination	-	3,498
Land Remediation (c)	-	7,000
Other (d)	5,610	6,101
	<b>46,721</b>	<b>56,268</b>

(a) Management Fees represent fees paid to external service providers for property management services provided in respect to PNSW owned and leased properties.

(b) Maintenance expenses relate to owned properties and include ad-hoc and scheduled maintenance services on items including lifts, air conditioning units, fire protection systems, plumbing and electrical. There were no expenses for personnel services recognised as a maintenance expense in Note 2(b)(ii) in 2022-23 (\$Nil in 2021-22).

(c) The Rutherford industrial site, which was contaminated by its previous owner Truegain, was acquired by the NSW Government in 2021-22. PNSW will manage the site and project manage the remediation. An expense of \$7.0 million was recognised in 2021-22, being the difference between the fair value of the site on a notional 'clean' basis and the initial recognition of remediation provision for demolishing the above ground structures and removing the liquid waste present within the site.

(d) Items classified as Other include telephone, fire safety, legal, building manager costs, gardening, insurance and sundry charges incurred in respect to properties owned by PNSW.

PNSW's insurances are procured through the NSW Treasury Managed Fund Scheme of self-insurance for Government entities. The expense (premium) is determined by the Fund Manager based on past claim experience. Properties owned by PNSW are insured for their replacement value. Management submits the insurance declaration for insurance coverage on annual basis.

(iii) Other Operating Expenses

	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Auditor's Remuneration - Audit of Financial Statements	213	348
Legal Fees	139	23
Consultants	1,103	2,735
Office Accommodation Expenses	149	57
Other Contractors (a)	16,967	19,822
Corporate Service Fees (b)	13,311	-
Computer Costs	279	805
Training and Development	146	158
Other Service Fees (c)	1,373	933
Insurance claims	302	59
Allowance for Impairment of Receivables, Net of Recovery (Note 7(b))	1,695	5,090
Other (d)	2,650	6,654
	<b>38,327</b>	<b>36,684</b>

(a) The Other Contractors expenses mainly represent the spending on the Parramatta North Program, a whole-of-government, major urban renewal initiative and essential enabler in achieving the NSW Government's vision for the Westmead Health and Innovation District. The project management of the Parramatta North Program was transferred from Infrastructure NSW to PNSW in 2020-21.

# PROPERTY NSW

## Section B: Financial Performance

### Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2023

(b) Corporate Service Fees include fees charged by DPE for corporate services provided by the principal department.

(c) Other Service Fees are fees charged by GovConnect relating to outsourced services such as payroll, information technology and central accounting transaction services.

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

#### (c) Depreciation and Amortisation

	<u>2023</u>	<u>2022</u>
	<u>\$'000</u>	<u>\$'000</u>
Depreciation of Property, Plant and Equipment (Note 9(a))	29,116	24,438
Depreciation of Right-of-Use Assets (Note 10(a))	348,716	48,085
Amortisation on Intangible Assets (Note 12(b))	64	64
	<u>377,896</u>	<u>72,587</u>

The increase in Depreciation of Right-of-Use Assets was mainly due to the significant increase in Right-of-Use Assets as at 30 June 2022 due to the changes in the occupancy agreement on 30 June 2022, (Refer Note 10(a)).

#### Recognition and Measurement - Depreciation and Amortisation

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

PNSW's buildings are accounted for in their component parts (e.g. structure, air conditioning units and lifts) where it can be determined:

- (a) it physically exist;
- (b) it is material enough to justify separate tracking;
- (c) it is possible to have a reliable value attributed; and
- (d) that failure to depreciate them separately would result in a material difference in the annual depreciation expense for PNSW.

The useful lives of PNSW's items of property, plant and equipment is determined as follows:

<b>Asset Class</b>	<u>2023</u>	<u>2022</u>
	<u>Years</u>	<u>Years</u>
Buildings		
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

Leasehold Improvements are depreciated over the shorter of the lease term and their useful life.

Heritage buildings are depreciated in accordance with the useful life ranges above.

Right-of-Use Assets are depreciated over the period of the lease.

Fine Arts and Heritage items located within owned buildings are not depreciated as they do not have a limited useful life. These items are however subject to an annual impairment test.

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

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

## PROPERTY NSW

### Section B: Financial Performance

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2023

#### (d) Grants and Subsidies

	2023 \$'000	2022 \$'000
Grants to Royal Botanic Gardens and Domain Trust (i)	-	4,000
Grants to Local Land Services (ii)	3,488	-
	3,488	4,000

- (i) Grants to Royal Botanic Gardens and Domain Trust was to fund the pre-construction and business case development of a sound shell in the Domain, Sydney.
- (ii) Grants to Local Land Services (LLS) comprise net proceeds from property sales for properties which were transferred from LLS to PNSW by way of equity transfer in 2016-17.

#### (e) Finance Costs

	2023 \$'000	2022 \$'000
Interest Charges on Lease Liabilities (Note 10(a))	151,466	112,503
Unwinding of Discount Rate on Land Remediation Provision (Note 15(b))	-	11
	151,466	112,514

Finance and borrowing costs are recognised as expenses in the period in which they are incurred. This follows Treasury's policy for not-for-profit NSW general government sector entities.

### 3. REVENUE

#### Recognition and Measurement - Revenue

PNSW recognises revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer. An asset is transferred when the customer obtains control of the asset. Revenue is measured at the amount of the transaction price that is agreed under the contract. When determining the transaction price, management considers the effects of variable consideration, constraining estimates of variable consideration, the existence of a significant financing component in the contract, non-cash consideration, and consideration to a customer.

Additional comments regarding the accounting policies for the recognition and measurement of revenue are noted below.

#### (a) Sale of Goods and Services

	2023 \$'000	2022 \$'000
Property Rental Income - Operating Lease Income (i)	13,102	253,669
Fees for Services Rendered (ii)	651,671	22,819
	664,773	276,488

- (i) Property Rental Income - Operating Lease Income

	2023 \$'000	2022 \$'000
Owned Property Income	2,340	39,455
Leased Property Income	12,504	214,732
Less: Amortisation of Lessee Lease Incentives (Note 7(c))	(1,742)	(518)
	13,102	253,669

The decrease in Property Rental Income - Operating Lease Income and increase in Fees for Services Rendered was mainly due to the changes in the occupancy agreements on 30 June 2022 (Refer Note 10(a)).

Operating lease income is recognised in accordance with AASB 16 "Leases". Where PNSW is the lessor, income from operating leases is recognised as income in the Statement of Comprehensive Income on a straight-line basis over the lease term. Contingent rental income is recognised as income in the period in which it is earned.

## PROPERTY NSW

### Section B: Financial Performance

#### Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2023

Rent reviews for government office buildings owned by PNSW 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 marketplace at a particular point in time.

The occupancy terms for tenants in PNSW leased premises including rent, incentives and lease terms are generally aligned with headlease agreement held in the name of PNSW.

Under formal occupancy arrangements between PNSW and agency tenants, tenants are responsible for the financial liability of makegood of leased premises. The contractual obligation is satisfied by either undertaking physical works or by negotiating a financial settlement with the landlord.

- (ii) Revenue from the rendering of services is recognised when PNSW satisfies the performance obligation by transferring the promised services. The revenue is measured at the agreed transaction price. The significant increase in 2022-23 was mainly due to the changes in the occupancy agreements on 30 June 2022 where from 1 July 2022, the accommodation charges had been recognised as revenue by PNSW when incurred over the occupancy agreement term (Note 10(a)).

#### (b) Investment Revenue

	2023 \$'000	2022 \$'000
Property Finance Lease Income ((i) and Note 10(b))	8,393	81,758
Interest Earned (ii)	227	13
	<b>8,620</b>	<b>81,771</b>

- (i) Income from finance leases in PNSW's capacity as lessor includes contingent rent of \$1.1 million in 2022-23 (\$0.2 million in 2021-22). Contingent rent is calculated as the difference between the current lease payments and the minimum lease payments which were determined at the initial recognition of the finance lease arrangement.

Finance lease income is recognised in accordance with AASB 16 "Leases". Where PNSW is the lessor, finance lease income is recognised as income in the Statement of Comprehensive Income over the lease period so as to allocate finance income over the lease term on a systematic and rational basis. This income allocation is based on a pattern reflecting a constant period return on PNSW's net investment in the lease.

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

- (ii) Interest revenue is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except in instances where the asset is credit-impaired. For financial assets that become credit impaired, the effective interest rate is applied to the amortised cost of the financial asset (i.e. after deducting the loss allowance for expected credit losses).

Interest earned is received on cash set aside for remediation on land acquired by the Crown from BHP Billiton in 2002 (Intertrade). The cash is held in a separate PNSW bank account within the NSW Treasury Banking System (Note 6(a)).

#### (c) Grants and Contributions

	2023 \$'000	2022 \$'000
State Government - Recurrent Contribution (i)	33,670	38,111
State Government - Capital Contribution (ii)	63,004	32,626
Other NSW Government Agency Contribution (iii)	6,093	-
	<b>102,767</b>	<b>70,737</b>

- (i) PNSW receives an annual recurrent contribution from the State Government for a range of non-commercial professional services undertaken which provide a whole-of-government benefit. These services include agency property portfolio reviews, area studies, property policy implementation and Property Register administration.

## PROPERTY NSW

### Section B: Financial Performance

#### Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2023

- (ii) PNSW's approved Capital Program is fully funded by the State Government by way of an annual capital contribution. The Program includes refurbishment, compliance and health and safety works under PNSW's Property Refurbishment Program.
- (iii) PNSW received funding from other government agencies such as \$4.4 million funding from the Department of Regional NSW for the Regional Key Worker Housing Delivery Program, and \$1.4 million from Infrastructure NSW in relation to Sydney Fish Market in 2022-23.

Grants and contributions without detailed performance obligations are recognised as income when PNSW obtains control over the granted assets. PNSW normally receives grants in the form of cash.

#### (d) Other Revenue

	2023 \$'000	2022 \$'000
Insurance Recoveries (i)	4,678	553
Acceptance by Crown (ii)	221	(279)
	<b>4,899</b>	<b>274</b>

- (i) Recoveries arising from insurance claims.
- (ii) On-cost expenses of Long Service Leave and Defined Benefit Superannuation liability assumed by Crown.

#### 4. GAINS AND LOSSES

##### (a) Gain/(Loss) on Disposal of Non-Current Assets

	2023 \$'000	2022 \$'000
Net Proceeds from Disposal of Non-Current Assets	6,529	5,436
Written Down Value (Note 8(b) & 9(a))	(10,764)	(10,170)
<b>Net Gain/(Loss) on Disposal</b>	<b>(4,235)</b>	<b>(4,734)</b>

##### (b) Other Gains/(Losses)

	2023 \$'000	2022 \$'000
Impairment Loss on Work in Progress - Project Costs Recoverable	(1,092)	9
Gain from Derecognition of Right-of-Use Assets for Finance Sub-Leases (i)	16,578	199
Impairment Reversal/(Loss) on Right-of-Use Assets (Note 10(a))	(146,099)	(7,235)
Impairment Loss on Asset Write-Offs (Note 9(a))	(5,400)	(13,340)
Net Gain/(Loss) on Revaluation of Property, Plant and Equipment (Note 9(a))	-	22,045
Gain from Derecognition of Finance Lease Receivable (ii)	40,337	-
Gain from Initial Asset Recognition (Note 9(a))	-	6,330
Loss on Derecognition of Finance Sub-Leases ((iii) and Note 10(a))	-	(546,931)
<b>Other Gains/(Losses)</b>	<b>(95,676)</b>	<b>(538,923)</b>

- (i) Sub-leases, which are classified as finance leases under AASB 16, were derecognised as a Right-of-Use Asset and recognised as a Finance Lease Receivable for PNSW leased assets. Where the recognised Finance Lease Receivable value is lower than the derecognised Right-of-Use Asset value (due to lower rent or shorter lease term), the difference is recognised as a Gain/(Loss) from Derecognition of Right-of-Use Assets for Finance Sub-Leases in the Statement of Comprehensive Income.
- (ii) In 2022-23, PNSW transferred the Sydney Fish Market site to the Infrastructure NSW through an equity transfer transaction of \$80.6 million (Note 18(i)). As the existing carrying value of the asset was \$40.3 million, including \$39.7 million (Note 10(b)) for the Finance Lease Receivable and \$0.5 million for the land (Note 9(a)), the difference of \$40.9 million was recognised as Gain from Derecognition of Finance Lease Receivable.

# PROPERTY NSW

## Section B: Financial Performance

### Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2023

- (iii) A net loss of \$547.0 million was recognised in 2021-22 from the derecognition of finance lease receivables and recognition of right-of-use assets for agreements where PNSW formally agreed to the inclusion of a substantive substitution right in the occupancy agreement between the parties as at 30 June 2022. Please refer to Note 10 for further details.

The net loss from the derecognition of finance lease receivables and recognition of right-of-use assets as at 30 June 2022 is reconciled as below:

	<u>2022</u> <u>\$'000</u>
<b>Right-of-Use Assets</b>	
Gross Carrying Value	4,074,006
Less: Accumulated Depreciation and Accumulated Impairment Provision	<u>(1,320,534)</u>
Net Book Value (Note 10(a))	<u>2,753,472</u>
Amortised Balance of Incentives Receivable (Note 7(c))	31,615
Finance Lease Receivables (Note 10(b))	(3,332,018)
Net Loss	<u>(546,931)</u>

#### 5. BUDGET REVIEW

Budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the reporting period. Subsequent amendments to the original budget (e.g. adjustment for transfer of functions between entities as a result of administrative arrangements orders) are not reflected in the budgeted amounts.

Major variances between the original budgeted amounts and the actual amounts disclosed in the primary financial statements are explained below.

##### (a) Net Result

The Net Result of \$116.8 million deficit for 2022-23 was \$250.2 million unfavourable to the budget, primarily due to uncontrollable market conditions. Major variances include:

- a \$121.0 million increase in Other Losses mainly due to the higher market impairment loss on Right-of-Use Assets from leases in the Parramatta region.
- a \$44.4 million increase in Finance Cost mainly due to higher interest/discount rate for new Lease Liabilities.
- a \$46.4 million decrease in Grants and Contributions Revenue due to the deferral of associated capital projects.
- a \$43.1 million lower revenue from Sale of Goods and Services due to multiple factors including Prime system escalation which was incorrectly applied to the revenue budget and office vacancy following changes in accommodation requirements of Government agencies.

##### (b) Assets and Liabilities

Total Assets of \$4.8 billion as at 30 June 2023 were \$0.5 billion lower than the budget mainly due to decrease in Right-of-Use Assets from lease remeasurement and market impairment loss.

Total Liabilities of \$4.2 billion were \$0.4 billion lower than the budget mainly due to decrease in Borrowings from lease remeasurement.

##### (c) Cash Flows

Closing Cash and Cash Equivalents of \$75.7 million at 30 June 2023 was \$4.8 million higher than budget. The result was primarily due to a higher than budgeted opening cash balance of \$41.2 million.

## PROPERTY NSW

### Section C: Assets

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2023

#### 6. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

##### (a) Cash and Cash Equivalents

	<u>2023</u>	<u>2022</u>
	<u>\$'000</u>	<u>\$'000</u>
<b>Current</b>		
Cash at Bank and On Hand (i)		
Operating Funds	51,052	59,492
Restricted Cash:		
Land Remediation Funds (ii)	7,891	7,664
Agency Property Transaction Monies (iii)	16,720	19,140
<b>Total Cash and Cash Equivalents</b>	<u><b>75,663</b></u>	<u><b>86,296</b></u>

- (i) Cash comprises cash on hand and bank balances within the NSW Treasury Banking System. Interest is earned on cash rate, adjusted for a management fee to NSW Treasury. All other bank accounts are non-interest bearing within the NSW Treasury Banking System.

For the purpose of the Statement of Cash Flows, cash includes cash at bank and restricted cash.

All of PNSW'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.

- (ii) As at 30 June 2023, \$7.9 million was set aside and can only be used for remediation of lands acquired by the Crown from BHP Billiton in Newcastle (Intertrade) in 2002.
- (iii) As at 30 June 2023, \$16.7 million was held "on trust" on behalf of other government agencies (\$19.1 million at 30 June 2022). These funds can only be used for property acquisition and divestment transactions in progress where PNSW has a formal agreement with the agencies for the provision of these services.

##### Interest Rate Risk

The effect on the Net Result and Equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which PNSW 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 30 June 2023. The analysis is performed on the same basis as for 2022. The analysis assumes that all other variables remain constant.

PNSW's exposure to interest rate risk arises through its Cash and Cash Equivalents. PNSW does not account for any fixed rate financial instruments at fair value through profit or loss or as available for sale, therefore a change in interest rates will not affect profit or loss or equity. A reasonably possible change of +/-1% is used, consistent with current trends in interest rates (based on official RBA interest rate volatility over the last five years). The basis of accounting for this exposure is reviewed annually and amended where there is a structural change in the level of interest rate volatility.



## PROPERTY NSW

### Section C: Assets

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2023

PNSW's exposure to interest rate risk is set out below.

Interest Rate Risk - 2023	Carrying Amount \$'000	-1%		+1%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
<b>Financial Assets</b>					
Cash and Cash Equivalents	7,891	(79)	(79)	79	79

Interest Rate Risk - 2022	Carrying Amount \$'000	-1%		+1%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
<b>Financial Assets</b>					
Cash and Cash Equivalents	7,664	(77)	(77)	77	77

**(b) Reconciliation of Net Cash Flows from Operating Activities to Net Result**

	2023 \$'000	2022 \$'000
<b>Net Cash Flow From Operating Activities</b>	<b>357,766</b>	<b>120,782</b>
<b>Non-Cash Revenue/(Expenses):</b>		
Depreciation and Amortisation (Note 2(c))	(377,896)	(72,587)
Gain/(Loss) on Disposal of Non-Current Assets (Note 4(a))	(4,235)	(4,734)
Other Gains/(Losses) (Note 4(b))	(95,676)	(538,923)
<b>Changes in Operating Assets and Liabilities:</b>		
Increase/(Decrease) in Receivables	11,782	(21,494)
Decrease/(Increase) in Payables	807	(10,320)
Decrease/(Increase) in Provisions	(9,379)	(3,642)
<b>Net Result</b>	<b>(116,831)</b>	<b>(530,918)</b>

**(c) Non-Cash Financing and Investing Activities**

The following transactions did not involve the use of cash or cash equivalents and are not, therefore, included in the Statement of Cash Flows.

Non-Cash Investing Activities	2023 \$'000	2022 \$'000
Properties transferred from other Government Agencies (Note 9(a))	-	42
Properties transferred to other Government Agencies (Note 18(i))	(80,605)	-
<b>Total Non-cash Investing Activities</b>	<b>(80,605)</b>	<b>42</b>

PROPERTY NSW

Section C: Assets

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2023

7. RECEIVABLES

(a) Receivables - Current and Non-Current

	2023	2022
	\$'000	\$'000
<b>Current</b>		
Trade Receivables:		
Property Rental	16,037	3,487
Fees for Services Rendered	27,211	20,614
Less: Allowance for Expected Credit Losses (b)	(1,948)	(5,306)
Subtotal - Trade Receivables	41,300	18,795
Other Receivables:		
Work in Progress - Net Project Costs Recoverable	8,656	8,221
Goods and Services Tax Recoverable	586	2,198
Finance Lease Receivables (Note 10(b))	24,276	27,261
Lessee Lease Incentives (c)	2,904	7,497
Makegood Costs Recoverable (d)	38,262	29,895
Accrued Rental Income	4,095	6,744
Accrued Fees for Services Rendered	3,216	6,460
Receivables from PAG Entities	2,900	2,900
Prepayments	160	525
Other	1,098	1,028
Subtotal - Other Receivables	86,153	92,729
<b>Total Current Receivables</b>	<b>127,453</b>	<b>111,524</b>
<b>Non-Current</b>		
Other Receivables:		
Finance Lease Receivables (Note 10(b))	235,281	263,679
Lessee Lease Incentives (c)	28,510	26,229
Makegood Costs Recoverable (d)	190,133	182,451
Receivable from Lessees - Fixed Rent Increment	271	391
<b>Total Non-Current Receivables</b>	<b>454,195</b>	<b>472,750</b>

(b) Allowance for Expected Credit Losses

	2023	2022
	\$'000	\$'000
Balance at 1 July	5,306	1,571
Amounts Written Off during the Year	(5,053)	(1,355)
Increase/(Decrease) in Allowance Recognised in Net Results (Note 2(b)(iii))	1,695	5,090
<b>Closing Balance at 30 June</b>	<b>1,948</b>	<b>5,306</b>

(c) Lessee Lease Incentives

	2023	2022
	\$'000	\$'000
Movement:		
Carrying Amount at 1 July	33,726	2,629
Add Lease Incentives Provided	617	-
Less Current Year Amortisation (Note 3(a))	(2,929)	(518)
Recognition of Incentive Receivables on Derecognition of Finance Sub-Leases (Note 4(b))	-	31,615
<b>Carrying Amount at 30 June</b>	<b>31,414</b>	<b>33,726</b>
Current Asset	2,904	7,497
Non-Current Asset	28,510	26,229
<b>Carrying Amount at 30 June</b>	<b>31,414</b>	<b>33,726</b>

## PROPERTY NSW

### Section C: Assets

#### Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2023

Lease incentives in favour of PNSW under head lease agreements are passed on to government agency tenants under occupancy arrangements. Lease incentives are amortised over the term of the applicable lease and are recognised as a reduction to Property Rental Income under Sale of Goods and Services in the Statement of Comprehensive Income (Note 3(a)).

**(d) Makegood Costs Recoverable**

	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Movement:		
Carrying Amount at 1 July	212,346	183,376
Increase in Recoverable from Unwinding of Discount Rate (Note 15(c))	6,818	1,751
Transfer from/(to) Plant and Equipment (Note 9(a))	(2,413)	(323)
Increase/(Decrease) in Recoverable from Revised Estimate of Liability (Note 15(c))	13,518	29,406
Decrease in Recoverable from Payments (Note 15(c))	(1,874)	(1,864)
<b>Carrying Amount at 30 June</b>	<b>228,395</b>	<b>212,346</b>
<b>Current Asset</b>		
Makegood Costs Recoverable	38,262	29,895
<b>Total Current Asset at 30 June</b>	<b>38,262</b>	<b>29,895</b>
<b>Non-Current Asset</b>		
Makegood Costs Recoverable	190,133	182,451
<b>Total Non-Current Asset at 30 June</b>	<b>190,133</b>	<b>182,451</b>
<b>Carrying Amount at 30 June</b>	<b>228,395</b>	<b>212,346</b>

**(e) Recognition and Measurement - Receivables**

Business as usual acquisitions and divestments of financial asset are recognised and derecognised on the trade date in accordance with either regulation or market convention.

Receivables are initially recognised at fair value plus any directly attributable transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price.

**(i) Subsequent measurement**

PNSW holds receivables to collect the contractual cash flows and measures the receivable at its amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or adjusted for amortisation.

**(ii) Impairment**

PNSW recognises an allowance for expected credit losses (ECLs) for all debt financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows and the cash flows that PNSW expects to receive, discounted at the original effective interest rate.

For trade receivables, PNSW applies a simplified approach in calculating ECLs. PNSW recognises a loss allowance based on lifetime ECLs at each reporting date. PNSW has established a provision matrix based on its historical credit loss experience for trade receivables, adjusted for forward-looking factors specific to the receivable. Due to Covid-19, PNSW has placed an increased emphasis on forward-looking factors to calculate credit loss. Each individual debtor is reviewed for the recoverability of debts.

## PROPERTY NSW

### Section C: Assets

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2023

#### 8. NON-CURRENT ASSETS HELD FOR SALE

##### (a) Non-Current Assets Held for Sale

	2023 \$'000	2022 \$'000
<b>Current</b>		
Land and Buildings	-	157
<b>Total Non-Current Assets Held for Sale</b>	-	157

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

	2023 \$'000	2022 \$'000
<b>Non-Current Assets Held for Sale</b>		
Carrying Amount at 1 July	157	157
Reclassification to Property, Plant and Equipment - Land (Note 9(a))	(157)	-
<b>Carrying Amount at 30 June</b>	-	157

##### (c) Recognition and Measurement - Non-Current Assets Held for Sale

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

#### 9. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

##### (a) Total Property, Plant and Equipment

	2023 \$'000	2022 \$'000
<b>Non-Current</b>		
<b>Land</b>		
At Fair Value	484,349	493,457
<b>Carrying Amount at 30 June</b>	<b>484,349</b>	<b>493,457</b>
<b>Buildings</b>		
At Fair Value	565,945	581,608
Less Accumulated Depreciation	(4,907)	(13,638)
<b>Carrying Amount at 30 June</b>	<b>561,038</b>	<b>567,970</b>
<b>Plant and Equipment</b>		
At Fair Value	47,261	8,118
Less Accumulated Depreciation	(11,453)	(5,369)
<b>Carrying Amount at 30 June</b>	<b>35,808</b>	<b>2,749</b>
<b>Works in Progress</b>		
At Fair Value	111,719	96,127
<b>Carrying Amount at 30 June</b>	<b>111,719</b>	<b>96,127</b>
<b>Total Property, Plant and Equipment at 30 June</b>	<b>1,192,914</b>	<b>1,160,303</b>
<b>Total Property, Plant and Equipment</b>		
At Cost or Fair Value	1,209,274	1,179,310
Accumulated Depreciation and Amortisation	(16,360)	(19,007)
<b>Total Property, Plant and Equipment Carrying Amount at 30 June</b>	<b>1,192,914</b>	<b>1,160,303</b>

## PROPERTY NSW

### Section C: Assets

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2023

#### Reconciliation of Opening and Closing Carrying Amounts

	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Land</b>		
Carrying Amount at 1 July	493,457	454,922
Asset Additions	1,233	7,330
Asset Disposals (Note 4(a))	(9,100)	(6,778)
Transfer from Works in Progress	-	437
Transfer from other Government Agencies (Note 18(i))	-	36
Transfer from Buildings	-	55
Reclassification from Non-Current Asset Held for Sale (Note 8(b))	157	-
Transfer to other Government Agencies (Note 18(ii))	(530)	-
Net Revaluation Reserve Increment/(Decrement) (Note 17(ii))	(832)	28,250
Impairment Loss Recognised in the Net Result (Note 4(b))	(36)	(12,840)
Net Revaluation Increment/(Decrement) Recognised in the Net Result (Note 4(b))	-	22,045
<b>Carrying Amount at 30 June</b>	<b>484,349</b>	<b>493,457</b>
<b>Buildings</b>		
Carrying Amount at 1 July	567,970	544,601
Asset Additions	593	-
Asset Disposals (Note 4(a))	(1,664)	(3,392)
Transfer from Works in Progress	14,236	16,017
Transfers from other Government Agencies (Note 18(i))	-	6
Transfer to Land	-	(55)
Net Revaluation Reserve Increment/(Decrement) (Note 17(i))	6,999	35,675
Impairment Loss Recognised in the Net Result (Note 4(b))	(4,064)	(500)
Depreciation Expense - Assets Owned (Note 2(c))	(23,032)	(24,382)
<b>Carrying Amount at 30 June</b>	<b>561,038</b>	<b>567,970</b>
<b>Plant and Equipment</b>		
Carrying Amount at 1 July	2,749	2,482
Asset Additions	246	-
Transfer from Works in Progress	36,484	-
Transfer from/(to) Makegood Costs Recoverable (Note 7(d))	2,413	323
Depreciation Expense (Note 2(c))	(6,084)	(56)
<b>Carrying Amount at 30 June</b>	<b>35,808</b>	<b>2,749</b>
<b>Works in Progress</b>		
Carrying Amount at 1 July	96,127	39,346
Additions	67,612	73,235
Transfer to Land	-	(437)
Transfer to Buildings	(14,236)	(16,017)
Transfer to Works in Progress	(36,484)	-
Impairment Loss Recognised in the Net Result (Note 4(b))	(1,300)	-
<b>Carrying Amount at 30 June</b>	<b>111,719</b>	<b>96,127</b>
<b>Total Property, Plant and Equipment Carrying Amount at 30 June</b>	<b>1,192,914</b>	<b>1,160,303</b>

**PROPERTY NSW**

**Section C: Assets**

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2023

**(b) Property, Plant and Equipment Held and Used by the Entity**

	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Plant and Equipment</b>		
At Fair Value	47,261	8,118
Less Accumulated Depreciation	(11,453)	(5,369)
<b>Carrying Amount at 30 June</b>	<b>35,808</b>	<b>2,749</b>
<b>Total Property, Plant and Equipment</b>		
At Cost or Fair Value	47,261	8,118
Accumulated Depreciation and Amortisation	(11,453)	(5,369)
<b>Total Property, Plant and Equipment Carrying Amount at 30 June</b>	<b>35,808</b>	<b>2,749</b>

**Reconciliation of Opening and Closing Carrying Amounts**

	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Plant and Equipment</b>		
Carrying Amount at 1 July	2,749	2,482
Asset Additions	246	-
Transfer from Works in Progress	36,484	-
Transfer from/(to) Makegood Costs Recoverable	2,413	323
Depreciation Expense	(6,084)	(56)
<b>Carrying Amount at 30 June</b>	<b>35,808</b>	<b>2,749</b>
<b>Total Property, Plant and Equipment Carrying Amount at 30 June</b>	<b>35,808</b>	<b>2,749</b>

**(c) Property, plant and equipment where entity is lessor under operating leases**

	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Land</b>		
At Fair Value	484,349	493,457
<b>Carrying Amount at 30 June</b>	<b>484,349</b>	<b>493,457</b>
<b>Buildings</b>		
At Fair Value	565,945	581,608
Less Accumulated Depreciation	(4,907)	(13,638)
<b>Carrying Amount at 30 June</b>	<b>561,038</b>	<b>567,970</b>
<b>Works in Progress</b>		
At Fair Value	111,719	96,127
<b>Carrying Amount at 30 June</b>	<b>111,719</b>	<b>96,127</b>
<b>Total Property, Plant and Equipment</b>		
At Cost or Fair Value	1,162,013	1,171,192
Accumulated Depreciation and Amortisation	(4,907)	(13,638)
<b>Total Property, Plant and Equipment Carrying Amount at 30 June</b>	<b>1,157,106</b>	<b>1,157,554</b>

## PROPERTY NSW

### Section C: Assets

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2023

#### Reconciliation of Opening and Closing Carrying Amounts

	2023 \$'000	2022 \$'000
<b>Land</b>		
Carrying Amount at 1 July	493,457	454,922
Asset Additions	1,233	7,330
Asset Disposals	(9,100)	(6,778)
Transfer from Works in Progress	-	437
Transfers from other Government Agencies	-	36
Transfer from Buildings	-	55
Reclassification from Non-Current Asset Held for Sale	157	-
Transfer to other Government Agencies	(530)	-
Net Revaluation Reserve Increment/(Decrement)	(832)	28,250
Impairment Loss Recognised in the Net Result	(36)	(12,840)
Net Revaluation Increment/(Decrement) Recognised in the Net Result	-	22,045
<b>Carrying Amount at 30 June</b>	<b>484,349</b>	<b>493,457</b>
<b>Buildings</b>		
Carrying Amount at 1 July	567,970	544,601
Asset Additions	593	-
Asset Disposals	(1,664)	(3,392)
Transfer from Works in Progress	14,236	16,017
Transfers from other Government Agencies	-	6
Transfer to Land	-	(55)
Net Revaluation Reserve Increment/(Decrement)	6,999	35,675
Impairment Loss Recognised in the Net Result	(4,064)	(500)
Depreciation Expense - Assets Owned	(23,032)	(24,382)
<b>Carrying Amount at 30 June</b>	<b>561,038</b>	<b>567,970</b>
<b>Works in Progress</b>		
Carrying Amount at 1 July	96,127	39,346
Additions	67,612	73,235
Transfer to Land	-	(437)
Transfer to Buildings	(14,236)	(16,017)
Transfer to Works in Progress	(36,484)	-
Impairment Loss Recognised in the Net Result	(1,300)	-
<b>Carrying Amount at 30 June</b>	<b>111,719</b>	<b>96,127</b>
<b>Total Property, Plant and Equipment Carrying Amount at 30 June</b>	<b>1,157,106</b>	<b>1,157,554</b>

#### (d) Recognition and Measurement - Property, Plant and Equipment

##### (i) Acquisitions of Assets

Acquisition of assets is recognised when the risks and rewards of the asset have passed to the buyer. For property assets, this usually coincides with legal title passing to the purchaser on settlement of a contract.

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

Assets acquired at no or nominal cost are recognised at their fair value at the date of acquisition.

# PROPERTY NSW

## Section C: Assets

### Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2023

Fair value is the price that would be received if the asset was to be sold in an orderly transaction between informed market participants in an effective market at the measurement date.

Where payment for an asset is deferred beyond normal credit terms, its cost is the cash price equivalent (i.e. the deferred payment amount is effectively discounted over the period of credit).

#### (ii) Capitalisation Thresholds

Plant and equipment and intangible assets with a cost exceeding \$5,000 or forming part of a network with an aggregate cost exceeding \$5,000 are capitalised.

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

Expenditure capitalised as at 30 June 2023 and recorded under Works In Progress relates to refurbishment works in various office buildings and PNSW corporate capital projects.

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

Physical non-current assets are valued in accordance with Treasury Policy and Guidelines Paper TPP 21-09 "Valuation of Physical Non-Current Assets at Fair Value" and Treasurer's Direction TD 21-05 "Valuation of Physical Non-Current Assets at Fair Value". This policy adopts fair value in accordance with AASB 13 "Fair Value Measurement", AASB 116 "Property, Plant and Equipment" and AASB 140 "Investment Property".

Property, Plant and Equipment is measured at the highest and best use by market participants that is physically possible, legally permissible and financially feasible. The highest and best use must be available at a period that is not remote and take into account the characteristics of the asset being measured, including any socio-political restrictions imposed by government. The highest and best use may either be the existing use or, where there is another feasible and legally possible use, an alternative use.

Fair value of Property, Plant and Equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. PNSW revalue each class of property, plant and equipment on an annual basis to ensure that the carrying amount of each asset in the class does not differ materially from its fair value at reporting date.

Non-specialised assets with short useful lives are measured at depreciated historical cost, as an approximation of fair value. PNSW has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

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

PNSW conducts a comprehensive revaluation program on a three-yearly basis, the last series having occurred on 31 March 2021. Qualified valuer, Preston Rowe Paterson, was engaged to provide PNSW with a desktop valuation as at 31 March 2023 and subsequent update on 30 June 2023. The 2023 valuations took into consideration prevailing market conditions as at the valuation date.

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

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

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

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



## PROPERTY NSW

### Section C: Assets

#### Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2023

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

As a not-for-profit entity with no cash generating units, impairment under AASB 136 "Impairment of Assets" is unlikely to arise. As property, plant and equipment is carried at fair value, impairment can only arise in rare circumstances where the costs of disposal are material. Specifically, impairment is unlikely for not-for-profit entities given that AASB 136 modifies the recoverable amount test for non-cash generating assets of not-for-profit entities to the higher of fair value less costs of disposal and depreciated replacement cost, where depreciated replacement cost is also fair value.

PNSW assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, PNSW estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

As a not-for-profit entity, an impairment loss is recognised in the net result to the extent the impairment loss exceeds the amount in the revaluation surplus for the class of asset.

##### (v) Restoration Costs

The present value of the expected cost for the restoration or cost of dismantling of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

##### (vi) Major Inspection Costs

When each major inspection is performed, the labour cost of performing inspections for faults is recognised in the carrying amount of an asset if the recognition criteria are satisfied.

##### (vii) Maintenance

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

## 10. LEASES

### (a) Entity as a Lessee

As a central agency responsible for better utilisation of the NSW Government's real property assets, PNSW leases various real properties and enters occupancy agreements to make the space available to other NSW Government agencies. Lease contracts are typically made for fixed initial periods of 3 to 15 years, but may have extension (renewal) options. Lease terms are negotiated on an individual basis and contain unique terms and conditions. The lease agreements do not impose any covenants. PNSW does not provide residual value guarantees in relation to leases.

Extension options are included in a number of property leases. These terms are used to maximise operational flexibility in terms of managing occupancy requirements. The majority of the extension options held are exercisable solely by PNSW and not by the lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the options are reasonably certain to be exercised. Potential future cash outflows of \$1.5 billion have not been included in the lease liability because it is not reasonably certain that the lease options will be exercised. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment within the control of PNSW. During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was a reduction in recognised lease liabilities and right-of-use assets of \$659.3 million.

PNSW has elected to recognise payments for short-term leases, leases on holdover, and low value leases as operating expenses on a straight-line basis. This is instead of recognising a right-of-use asset and lease liability. Short-term leases are leases with a lease term of 12 months or less. Low value leases for assets with a fair value of \$10,000 or less when new are mainly office equipment.

## PROPERTY NSW

### Section C: Assets

#### Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2023

During the prior financial year ended 30 June 2022, a number of NSW Government agencies with occupancy arrangements with PNSW accepted changes to the terms of those agreements, the most significant of which is the introduction of a "substitution right" clause. This clause gives PNSW a right to relocate the agencies during the term of the occupancy agreement. The management has made judgements that the inclusion of a substantive substitution right provides PNSW with powers to effect office accommodation efficiency at a whole-of-government level, particularly as it relates to generic accommodation.

The agreements with a substantive substitution right are not accounted for as a lease within the scope of AASB 16 and, therefore, the corresponding lease receivables were derecognised (Note 10(b)) and the right-of-use assets were recognised accordingly by PNSW on 30 June 2022, the effective date of the new clauses. The net impact of the derecognition was recognised in "Other Gains/(Losses) (Note 4(b)). From 1 July 2022, the accommodation charges have been recognised as revenue by PNSW when incurred over the occupancy agreement term.

PNSW's substitution right is not considered substantive if the office accommodation has features which are sufficiently unique that it is impractical for PNSW to substitute it with an alternative.

Agencies continue to be responsible for make good and fit-out during the term of the occupancy agreement as they receive the economic benefits through using the fit-out. If PNSW exercises its right to relocate the occupant, agencies that have agreed to the varied occupancy agreement terms can expect to receive a payment equal to the lost economic benefit.

Incentives received by agencies prior to 30 June 2022 apply to the remaining occupancy term, therefore PNSW recognised incentive receivables (Note 7(c)) in relation to the amortised balance of incentives received by agencies as at 30 June 2022 which will amortise over the remaining occupancy term.

#### Right-of-Use Assets Under Leases

The following table presents right-of use assets.

<b>Land and Buildings</b>	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Carrying Amount at 1 July	3,977,830	747,453
Net Additions and Remeasurements	(538,810)	532,225
Depreciation Expense (Note 2(c))	(348,716)	(48,085)
Net Impairment Loss (Note 4(b))	(146,099)	(7,235)
Recognition of Right-of-Use Assets on Derecognition of Finance Sub-Leases (Note 4(b))	-	2,753,472
<b>Balance at 30 June</b>	<b>2,944,205</b>	<b>3,977,830</b>

#### Impairment Losses for Right-of-Use Assets

PNSW completed an impairment assessment for its right-of-use assets as at 30 June of each financial year to determine if the carrying amounts exceeded the recoverable amounts. Impacted right-of-use assets were written down to their recoverable amounts by reference to the right-of-use assets' fair value less costs of disposal and an impairment loss was recognised.

This assessment has been repeated as at 30 June 2023, applying the life to date market rental forecast movement approach. Further impairment loss was recognised in 2022-23 for the right-of-use assets on which there was an increase in the life to date accumulated impairment loss. An impairment reversal (reversal of prior year impairment loss) was recognised for those right-of-use assets with a decrease in the life to date accumulated impairment loss. Right-of-use assets subject to a market review in the financial year ended 30 June 2023 were excluded from the assessment due to their rental reflecting market, allowing any prior impairment to be reversed.

The impairment reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in previous years.

The entity recognised a net impairment loss of \$146.1 million for right-of-use assets during the 2022-23 financial year. Impairment reversal/(loss) for right-of-use assets are included in Other Net Gains/(Losses) as part of 'Other Economic Flows Included in the Operating Result' in the Statement of Comprehensive Income.

## PROPERTY NSW

### Section C: Assets

#### Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2023

The right-of-use assets for which an impairment reversal/(loss) was recognised during the 2022-23 financial year are as follows.

The recoverable amount of \$2.9 billion was determined by reference to its fair value less costs of disposal. The valuation technique used in the fair value measurement is classified as level 3 according to AASB 13 fair value hierarchy.

The recoverable amounts determined with reference to right-of-use assets' fair value less costs of disposal were computed using the valuation techniques detailed in the following table.

Asset Description	Valuation Technique	Key Assumptions	Fair Value Hierarchy
Generic office accommodation	Current Replacement Cost (CRC) approach – assets are valued based on the net replacement cost of a new equivalent asset with the same geographical market and remaining lease term. The net replacement costs were calculated based on the market rent forecast from JLL Real Estate Intelligence Services (REIS) or Property NSW's historical rent data for Regional market at the valuation date where the market rent forecast at 30 June 2019 was the base year.	-Right-of-Use Asset is stated at fair value at the time of initial recognition or lease commencement date; -Cost of disposal is immaterial; -The rent profile (fixed percentage, market rent review, CPI or combination) at the lease commencement date represents market rent forecast; -Regional market rent is linked with CPI.	Level 3

The recoverable amounts of the right-of-use assets for which an impairment were recognised during the financial year, and the level of fair value hierarchy for the right-of-use assets for which the recoverable amounts were determined with reference to their fair value less costs of disposal are:

#### Recoverable amount

#### Land and Buildings

#### Fair value less costs of disposal:

	2023 \$'000	2022 \$'000
Level 1	-	-
Level 2	-	-
Level 3	2,944,205	3,977,830
<b>Total</b>	<b>2,944,205</b>	<b>3,977,830</b>

## PROPERTY NSW

### Section C: Assets

#### Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2023

The recoverable amounts determined with reference to right-of-use assets' fair value less costs of disposal were computed using the valuation techniques detailed in the following table.

Asset Description	Valuation Technique	Key Assumptions	Fair Value Hierarchy
Land and Buildings	Current Replacement Cost (CRC) approach – assets are valued based on the net replacement cost of a new equivalent asset with the same geographical market and remaining lease term. The net replacement costs were calculated based on the market rent forecast from JLL Real Estate Intelligence Services (REIS) or Property NSW's historical rent data for Regional market at the valuation date where the market rent forecast at 30 June 2019 was the base year.	-Right-of-Use Asset is stated at fair value at the time of initial recognition or lease commencement date; -Cost of disposal is immaterial; -The rent profile (fixed percentage, market rent review, CPI or combination) at the lease commencement date represents market rent forecast; -Regional market rent is linked with CPI.	Level 3

The discount rate ranges employed in present value technique computations of recoverable amounts is summarised in the below table.

Recoverable Amount	Current Measurement Discount Rates	Previous Measurement Discount Rates
Fair Value Less Cost of Disposal – Discounted Cash Flow Technique	Internal Borrowing Rates at the valuation date.	Internal Borrowing Rates at the Transition to AASB 16 (i.e. 1 July 2019) or at the lease commencement date if the lease commenced after 1 July 2019.

#### Lease Liabilities

The following table presents liabilities under leases.

	2023 \$'000	2022 \$'000
Carrying Amount at 1 July	4,719,958	4,195,718
Net Additions and Remeasurements	(516,531)	1,043,749
Interest Expenses (Note 2(e))	151,466	112,503
Payments	(475,870)	(507,371)
Other Adjustments	(8,905)	(124,641)
<b>Balance at 30 June</b>	<b>3,870,118</b>	<b>4,719,958</b>

## PROPERTY NSW

### Section C: Assets

#### Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2023

The following amounts were recognised in the Statement of Comprehensive Income in respect of leases where the entity is the lessee:

	2023 \$'000	2022 \$'000
Depreciation Expense of Right-of-Use Assets (Note 2(c))	348,716	48,085
Interest Expense on Lease Liabilities (Note 2(e))	151,466	112,503
Expense relating to Short-Term Leases	60,850	13,677
Expenses relating to Leases of Low-Value Assets	30	30
Income from Subleasing Right-of-Use Assets	(12,504)	(214,732)
Loss/(Gain) arising from Recognition of Finance Subleasing of Right-of-Use Assets	(16,578)	(199)
Impairment Loss/(Reversal) on Right-of-Use Assets (Note 10(a))	146,099	7,235
Loss on Derecognition of Finance Sub-Leases (Note 4(b))	-	546,931
<b>Total Amount Recognised in the Statement of Comprehensive Income</b>	<b>678,079</b>	<b>513,530</b>

The entity had total cash outflows for leases of \$536.8 million in 2022-23 (2021-22: \$521.1 million).

#### Recognition and measurement

PNSW assesses at contract inception whether a contract is, or contains, a lease; that is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration, it will be treated as a lease for accounting purposes. PNSW recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets, except for short-term leases (including holdover leases) and leases of low-value assets.

#### (i) Right-of-Use Assets

PNSW recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are initially measured at the amount of initial measurement of the lease liability (refer to Note 10(a)(ii) below), adjusted by any lease payments made at or before the commencement date, lease incentives and any initial direct costs incurred.

The right-of-use assets are subsequently measured at cost and depreciated on a straight-line basis over the lease term. The right-of-use assets are also subject to impairment. The entity assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the entity estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. After an impairment loss has been recognised, it is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in previous years. Such reversal is recognised in the net result.

#### (ii) Lease Liabilities

At the commencement date of the lease, PNSW recognises lease liabilities measured at the present value of lease payments to be made over the lease term. Lease payments include:

- fixed payments (including in substance fixed payments) less any lease incentives receivable; and
- variable lease payments that depend on an index or a rate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the entity's leases, the lessee's incremental borrowing rate is used, being the rate that the entity would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

## PROPERTY NSW

### Section C: Assets

#### Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2023

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

PNSW's lease liabilities are included in Borrowings (Note 14).

#### (iii) Short-term Leases and Leases of Low-value Assets

PNSW applies the short-term lease recognition exemption to its short-term leases of properties (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain an extension option) and leases on holdover. It also applies the lease of low-value assets recognition exemption to leases of office equipment that are low value. Lease payments on short-term leases and leases of low value assets are recognised as operating expense on a straight-line basis over the lease term.

#### (b) Entity as a Lessor

PNSW leases real properties from the private sector and enters occupancy agreements with other NSW Government agencies. It also enters occupancy agreements with other NSW Government agencies for its owned properties. The occupancy agreements are treated as either finance leases or operating leases with rentals payable monthly or quarterly. Lease payments for most contracts include an annual fixed rental increase, a CPI increase and/or a market rent review.

##### Lessor for Finance Leases

The following table presents Finance Lease Receivables in Note 7.

	2023 \$'000	2022 \$'000
Carrying Amount at 1 July	290,940	3,588,210
Net Additions	29,952	387,076
Property Finance Lease Income (Note 3(b))	8,393	81,758
Lease Payments Received	(29,990)	(434,086)
Transfers to other Government Agency (Note 4(b))	(39,738)	-
Derecognition of Finance Lease Receivables (Note 4(b))	-	(3,332,018)
<b>Balance at 30 June</b>	<b>259,557</b>	<b>290,940</b>

Future minimum rentals receivable (undiscounted) under non-cancellable finance lease are as follows:

	2023 \$'000	2022 \$'000
Within one year	32,798	31,730
One to two years	28,616	32,563
Two to three years	27,677	28,606
Three to four years	26,247	27,886
Four to five years	23,111	25,896
Later than five years	326,860	442,298
<b>Total (excluding GST)</b>	<b>465,309</b>	<b>588,979</b>

## PROPERTY NSW

### Section C: Assets

#### Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2023

##### Reconciliation of Net Investment in Leases

	<u>2023</u>	<u>2022</u>
	<u>\$'000</u>	<u>\$'000</u>
Future Undiscounted Rental Receivable	465,309	588,979
Less: Unearned Finance Income	<u>(205,752)</u>	<u>(298,039)</u>
<b>Net Investment in Finance Leases</b>	<b><u>259,557</u></b>	<b><u>290,940</u></b>

Leases where the entity transfers substantially all the risks and rewards incidental to ownership of an asset are classified as finance leases. Subleases are classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset.

At the lease commencement date, the entity recognises a receivable for assets held under a finance lease in its Statement of Financial Position at an amount equal to the net investment in the lease. The net investment in leases is classified as financial assets amortised cost and equals the lease payments receivable by a lessor and the unguaranteed residual value plus initial direct costs, discounted using the interest rate implicit in the lease.

Finance income arising from finance leases is recognised over the lease term, based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease.

The unguaranteed residual value of all finance leases as lessor accruing to the benefit of PNSW as at 30 June 2023 was \$24.8 million (\$34.8 million at 30 June 2022).

##### Lessor for Operating Lease

Future minimum rentals receivable (undiscounted) under non-cancellable operating lease are as follows:

	<u>2023</u>	<u>2022</u>
	<u>\$'000</u>	<u>\$'000</u>
Within one year	817	471,452
One to two years	700	431,704
Two to three years	625	401,320
Three to four years	518	380,147
Four to five years	274	366,849
Later than five years	551	3,212,789
<b>Total (excluding GST)</b>	<b><u>3,485</u></b>	<b><u>5,264,261</u></b>

##### Recognition and measurement - lessor for operating leases

An operating lease is a lease other than a finance lease. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the Statement of Comprehensive Income due to its operating nature. Contingent rents are recognised as revenue in the period in which they are earned.

## PROPERTY NSW

### Section C: Assets

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2023

#### 11. FAIR VALUE MEASUREMENT OF NON-FINANCIAL ASSETS

The following table shows the levels within the hierarchy of non-financial assets measured at fair value on a recurring basis (Refer to Notes 1(f) and 9):

##### (a) Fair Value Hierarchy

2023	Level 1	Level 2	Level 3	Total Fair Value
	\$'000	\$'000	\$'000	\$'000
<b>Property, Plant and Equipment (Note 9)</b>				
Land	-	484,349	-	484,349
Buildings	-	561,038	-	561,038
	-	<b>1,045,387</b>	-	<b>1,045,387</b>
<b>2022</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total Fair Value</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Property, Plant and Equipment (Note 9)</b>				
Land	-	493,457	-	493,457
Buildings	-	567,970	-	567,970
	-	<b>1,061,427</b>	-	<b>1,061,427</b>

There were no transfers between Level 1 or 2 during 2022-23 (\$Nil in 2021-22). The 'Total Fair Value' above includes assets measured at fair value and will not reconcile to the total Property, Plant and Equipment recognised in the Statement of Financial Position as this includes assets which are measured at depreciated historical cost, as an approximation of fair value. These non-specialised assets do not require fair value hierarchy disclosures under AASB 13 "Fair Value Measurement".

##### (b) Valuation Techniques, Input and Processes

PNSW's Property, Plant and Equipment are traded in active markets. The fair value of these assets are estimated using valuation techniques that maximise the use of observable market inputs (e.g. market sale, rent evidence and interest rates). If all significant inputs required to fair value an asset are observable, the asset is included in Level 2. If one or more of the significant inputs are not based on observable market data, the asset is included in Level 3. The valuation process is managed by PNSW's Commercial Development and Management division who engages external independent valuers to perform the valuations of property assets required for financial reporting purposes. The valuation reports are subsequently reviewed by relevant Asset Managers prior to being endorsed by senior management.

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.



## PROPERTY NSW

### Section C: Assets

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2023

#### 12. INTANGIBLE ASSETS

##### (a) Intangible Assets

	2023 \$'000	2022 \$'000
<b>Non-Current</b>		
<b>Intangible Assets - Computer Software</b>		
Gross Carrying Amount	255	255
Less Accumulated Amortisation	(165)	(101)
<b>Total Intangible Assets - Computer Software at 30 June</b>	<b>90</b>	<b>154</b>
<b>Intangible Assets - Right to Carbon Emission Units</b>		
Gross Carrying Amount	499	-
Less Accumulated Amortisation	-	-
<b>Total Intangible Assets - Right to Carbon Emission Units at 30 June</b>	<b>499</b>	<b>-</b>
<b>Total Intangible Assets</b>		
Gross Carrying Amount	754	255
Less Accumulated Amortisation	(165)	(101)
<b>Total Intangible Assets at 30 June</b>	<b>589</b>	<b>154</b>

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

	2023 \$'000	2022 \$'000
<b>Intangible Assets - Computer Software</b>		
Carrying Amount at 1 July	154	218
Amortisation (Note 2(c))	(64)	(64)
<b>Carrying Amount at 30 June</b>	<b>90</b>	<b>154</b>
<b>Intangible Assets - Right to Carbon Emission Units</b>		
Carrying Amount at 1 July	-	-
Additions	499	-
<b>Carrying Amount at 30 June</b>	<b>499</b>	<b>-</b>
<b>Total Intangible Assets at 30 June</b>	<b>589</b>	<b>154</b>

##### (c) Recognition and Measurement - Intangible Assets

PNSW recognises intangible assets only if it is probable that future economic benefits will flow to PNSW and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. Where an asset is acquired at no or nominal cost, the cost is the asset's fair value as at the date of acquisition. All research costs are expensed. Development costs are only capitalised when certain criteria are met.

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

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

# PROPERTY NSW

## Section D: Liabilities

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2023

### 13. CURRENT/NON-CURRENT LIABILITIES - PAYABLES

#### (a) Payables - Current and Non-Current

	2023	2022
	\$'000	\$'000
<b>Current</b>		
Sundry Creditors and Accruals	64,239	35,334
Agency Property Transaction Monies	31,415	19,140
Payable to Personnel Services Provider (Note 1(a) and 2(a))	466	298
<b>Total Current Payables</b>	<b>96,120</b>	<b>54,772</b>

#### (b) Recognition and Measurement - Payables

Payables represent liabilities for goods and services provided to PNSW. 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.

PNSW's payables are all non-interest bearing. Payable items which are out of the scope of AASB 9 "Financial Instruments" have been excluded from the carrying amount shown in the Statement of Financial Position.

#### (c) Liquidity Risk

Liquidity risk is the risk that PNSW will be unable to meet its payment obligations when they fall due. PNSW continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate liquidity is maintained.

During the current and prior years, there were no defaults or breaches on any loans payable. No assets have been pledged as collateral.

PNSW's exposure to liquidity risk is deemed insignificant based on prior period data and current assessment of risk.

#### (d) Maturity Profile

All of PNSW's payables and accruals have a maturity of less than 12 months (2022: less than 12 months). Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW Treasury Circular 11/12.

For small business suppliers, where terms are not specified, payment is made not later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. For small business suppliers, where payment is not made within the specified time period, simple interest must be paid automatically unless an existing contract specifies otherwise. For payments to other suppliers, PNSW may automatically pay the supplier simple interest. The rate of interest applied by PNSW accords with the current rate applicable under section 22 of the *Taxation Administration Act 1996*.

A maturity profile analysis of PNSW's Payables and Lease Liabilities is presented Note 19(d)(ii).

## PROPERTY NSW

### Section D: Liabilities

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2023

#### 14. BORROWINGS

##### (a) Borrowings

	2023 \$'000	2022 \$'000
<b>Current</b>		
Lease Liabilities (Note 10(a))	300,873	356,388
<b>Total Current Borrowings</b>	<b>300,873</b>	<b>356,388</b>
<b>Non-Current</b>		
Lease Liabilities (Note 10(a))	3,569,245	4,363,570
<b>Total Non-Current Borrowings</b>	<b>3,569,245</b>	<b>4,363,570</b>

##### (b) Recognition and Measurement - Lease Liabilities

PNSW's borrowings represent lease liabilities. The lease liabilities are determined in accordance with AASB 16. Details are presented in Note 10(a).

#### 15. CURRENT/NON-CURRENT LIABILITIES - PROVISIONS

##### (a) Provisions - Current and Non-Current

	2023 \$'000	2022 \$'000
<b>Current</b>		
Land Remediation (b)	13,063	22,442
Makegood Restoration (c)	39,569	29,688
Provision for Personnel Services (d)	2,941	2,914
<b>Total Current Provisions</b>	<b>55,573</b>	<b>55,044</b>
<b>Non-Current</b>		
Makegood Restoration (c)	191,815	183,234
<b>Total Non-Current Provisions</b>	<b>191,815</b>	<b>183,234</b>

##### (b) Land Remediation

	2023 \$'000	2022 \$'000
Movement:		
Carrying Amount at 1 July	22,442	26,084
Decrease in Provision from Payments	(32,686)	(7,652)
Increase in Provision from Unwinding of Discount Rate (Note 2(e))	-	11
Increase in Provision from New Remediation Site	-	8,000
Increase/(Decrease) in Provision from Revised Estimate of Liability Recognised in Asset Revaluation Reserve (Note 17(i))	23,307	(4,001)
<b>Carrying Amount at 30 June</b>	<b>13,063</b>	<b>22,442</b>

Land remediation provisions as at 30 June 2023 relate to Hunter's Hill (i), Newcastle landholdings (ii), and Truegain site (iii).

##### (i) Hunter's Hill Landholdings

In June 2009, PNSW acquired land at lots 7, 9 and 11 Nelson Parade Hunter's Hill. Each of these lots are situated on a former uranium refinery site and, as part of the land transfers, the NSW Government has given PNSW the responsibility to remediate the contaminated land. PNSW has estimated and recognised a remediation liability at the reporting date for all three lots. This estimate has been determined using quotes, contract and tender details available as at 30 June 2023. Remediation is expected to be completed in 2023-24.

## PROPERTY NSW

### Section D: Liabilities

#### Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2023

(ii) Newcastle Landholdings

In June 2002, the Crown acquired the former BHP main steel works site at Mayfield and the Kooragang Islands waste emplacement sites in the Newcastle ports area. These sites required remediation to remove various contaminants associated with steel making undertaken at the sites. As part of the acquisition, the Crown negotiated for BHP Billiton to pay an amount to compensate for the total estimated cost of the land remediation and other works necessary for the land to be returned to a productive use. In February 2007, the landholdings, remaining remediation liability and cash balance were transferred to PNSW. In July 2009, management control for two parcels of the unremediated land at Mayfield and the Kooragang Island site were transferred to the Newcastle Port Corporation (NPC). At 30 June 2023, PNSW retained ownership of the remaining parcel of the former steel works site at Mayfield.

The remediation was substantially completed in June 2019. However, PNSW is managing the residual contamination of the land where the waste water treatment plant is located. The remediation of the residual contamination is expected to be completed in 2023-24.

(iii) Truegain Site

The NSW Government acquired the Truegain site in 2021-22. The site is in the Maitland suburb of Rutherford, and was abandoned by its previous owner after Truegain went into liquidation in September 2016. PNSW has been given the responsibility to manage and remediate contamination present at the site. The remediation will be completed in two stages, the first stage involving removal of all aboveground structures once liquid waste has been removed, the second involving remediation of soil and underground water. PNSW has spent \$12.6 million on the aboveground work as at 30 June 2023, with another \$1.5 million expected to be spent within the next few months to complete the aboveground work. PNSW has recognised a remediation liability for the aboveground work at the reporting date based on contract held for the works. The underground remediation cost cannot be reliably estimated at this stage and, therefore, is disclosed in the Contingent Liability section (Note 21).

(c) Makegood Restoration

	2023 \$'000	2022 \$'000
Movement:		
Carrying Amount at 1 July	212,922	183,629
Increase in Provision from Unwinding of Discount Rate (Note 7(d))	6,818	1,751
Increase/(Decrease) in Provision from Revised Estimate of Liability (Note 7(d))	13,518	29,406
Decrease in Provision from Payments (Note 7(d))	(1,874)	(1,864)
<b>Carrying Amount at 30 June</b>	<b>231,384</b>	<b>212,922</b>

The makegood restoration liability is calculated on all leased properties with makegood clauses in the lease agreement where PNSW is the lessee. The sum reflects an estimate of the cost to makegood the premises to their original condition at the end of the lease term. In turn, the makegood costs are recoverable in full from the sub-lessees. An average discount rate of 4.04% was used at 30 June 2023 (3.23% at 30 June 2022) and the level of the provision is reviewed at the end of each year. Any movement in the Makegood Restoration Provision is also reflected in Makegood Costs Recoverable within Receivables (Note 7(d)).

(d) Provision for Personnel Services

	2023 \$'000	2022 \$'000
Movement:		
Carrying Amount at 1 July	2,914	2,998
Net Addition/(Utilisation)	27	(84)
<b>Carrying Amount at 30 June</b>	<b>2,941</b>	<b>2,914</b>

# PROPERTY NSW

## Section D: Liabilities

### Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2023

<b>Provision for Personnel Services</b>	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Annual leave (i)	2,521	2,410
Long service leave on-costs (ii)	335	432
Payroll tax	85	72
<b>Carrying Amount at 30 June</b>	<b>2,941</b>	<b>2,914</b>

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

#### (i) Annual Leave

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 21-03 and is based on the long service leave liability recognised by DPE in respect of employees of PNSW.

DPE's liabilities for long service leave and defined benefit superannuation are assumed by the Crown Entity. DPE accounts for the liability as having been extinguished, resulting in the amount assumed being shown as part of the non-monetary revenue item described as "Acceptance by the Crown Entity of employee benefits and other liabilities".

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

### (e) Recognition and Measurement - Provisions

#### (i) Land Remediation Provisions

Where PNSW 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 PNSW's remediation obligations. At the same time, where PNSW owns the underlying asset, the amount of the provision is capitalised and added to the cost of the asset.

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

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

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

# PROPERTY NSW

## Section D: Liabilities

### Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2023

(ii) Other Provisions

Other provisions are recognised when PNSW 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.

#### 16. CURRENT/NON-CURRENT LIABILITIES - OTHER

(a) Other Liabilities - Current and Non-Current

	2023 \$'000	2022 \$'000
<b>Current</b>		
Lessor Lease Incentives (b)	37	37
<b>Total Current Liability at 30 June</b>	<b>37</b>	<b>37</b>
<b>Non-Current</b>		
Lessor Lease Incentives (b)	28	65
<b>Total Non-Current Liability at 30 June</b>	<b>28</b>	<b>65</b>

(b) Lessor Lease Incentives

	2023 \$'000	2022 \$'000
Movement:		
Carrying Amount at 1 July	102	142
Less Current Year Amortisation (Note 2(b))	(37)	(40)
<b>Carrying Amount at 30 June</b>	<b>65</b>	<b>102</b>

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

On initial implementation of AASB 16 at 1 July 2019, lessor lease incentive balance relating to finance leases was derecognised against lessee lease incentive for finance lease sub-lease and against right-of-use assets of operating lease sub-leases.

## PROPERTY NSW

### Section E: Equity

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2023

#### 17. EQUITY - ASSET REVALUATION RESERVE

The total asset revaluation reserve is used to record increments and decrements on the revaluation of non-current property plant and equipment. This accords with PNSW's policy on the Revaluation of Property, Plant and Equipment (Note 9). No financial distributions are made from the Asset Revaluation Reserve.

<b>Asset Revaluation Reserve - Movement</b>	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Carrying Amount at 1 July	271,928	206,938
Net Increase/(Decrease) in Property, Plant and Equipment Revaluation Surplus (i)	(17,140)	67,926
Transfer to Accumulated Funds on Derecognition of PP&E (Note 18)	(5,089)	(2,936)
<b>Carrying Amount at 30 June</b>	<b>249,699</b>	<b>271,928</b>

<b>Asset Revaluation Reserve - Asset Class</b>	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Land	5,176	29,315
Buildings	242,375	240,465
Plant and Equipment - Fine Arts & Heritage Assets	2,148	2,148
<b>Total Asset Revaluation Reserve at 30 June</b>	<b>249,699</b>	<b>271,928</b>

(i) Net Increase in Property, Plant and Equipment Revaluation Surplus

	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Land (Note 9(a))	(832)	28,250
Land Remediation (Note 15(b))	(23,307)	4,001
Buildings (Note 9(a))	6,999	35,675
<b>Net Increase/(Decrease) in Property, Plant and Equipment Revaluation Surplus</b>	<b>(17,140)</b>	<b>67,926</b>

## PROPERTY NSW

### Section E: Equity

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2023

#### 18 EQUITY - ACCUMULATED FUNDS

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

##### Accumulated Funds - Movement

	2023 \$'000	2022 \$'000
Carrying Amount at 1 July	523,976	1,051,916
Net Result for the Year	(116,831)	(530,918)
Transfer from Asset Revaluation Reserve on Derecognition of PP&E (Note 17)	5,089	2,936
Net Increase/(Decrease) in Net Assets from Equity Transfers (i)	(80,605)	42
<b>Carrying Amount at 30 June</b>	<b>331,629</b>	<b>523,976</b>

(i) Net Increase/(Decrease) in Net Assets from Equity Transfers

	2023 \$'000	2022 \$'000
Transfer of Properties from/to other Government Agencies		
Buildings (Note 9(a))	-	6
Land (Note 9(a) and Note 4(b))	(530)	36
Finance Lease Receivable (Note 4(b))	(80,075)	-
	<b>(80,605)</b>	<b>42</b>

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 21-08 "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.



## PROPERTY NSW

### Section F: Financial Instruments and Other Notes

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2023

#### 19. FINANCIAL INSTRUMENTS

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

PNSW's main risks arising from financial instruments are outlined below, together with PNSW'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 PNSW, to set risk limits and controls and to monitor risks. Compliance with policies is reviewed by PNSW management on a continuous basis.

##### (a) Financial Instrument Categories

(i) As at 30 June 2023

Class	Category	Notes	Carrying amount \$'000
<b>Financial Assets</b>			
Cash and Cash Equivalents	Amortised Cost	6	75,663
Receivables (i)	Amortised Cost	7	580,902
<b>Financial Liabilities</b>			
Payables (ii)	Financial Liabilities (at Amortised Cost)	13	64,705
Borrowings	Financial Liabilities (at Amortised Cost)	14	3,870,118

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

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

(ii) As at 30 June 2022

Class	Category	Notes	Carrying amount \$'000
<b>Financial Assets</b>			
Cash and Cash Equivalents	Amortised Cost	6	86,296
Receivables (i)	Amortised Cost	7	581,551
<b>Financial Liabilities</b>			
Payables (ii)	Financial Liabilities (at Amortised Cost)	13	35,632
Borrowings	Financial Liabilities (at Amortised Cost)	14	4,719,958

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

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

##### (b) Derecognition of financial assets and financial liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the contractual rights to the cash flows from the financial assets expire; or if PNSW transfers its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:

- PNSW has transferred substantially all the risks and rewards of the asset; or
- PNSW has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control.

## PROPERTY NSW

### Section F: Financial Instruments and Other Notes

#### Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2023

When PNSW has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. Where PNSW has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset continues to be recognised to the extent of PNSW's continuing involvement in the asset. In that case, PNSW also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that PNSW has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the entity could be required to repay.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the net result.

#### (c) Offsetting financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

#### (d) Financial risks

##### (i) Credit Risk

Credit risk arises when there is the possibility of PNSW's debtors defaulting on their contractual obligations, resulting in a financial loss to PNSW. 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 PNSW, including cash and receivables (Notes 6 and 7). No collateral is held by PNSW. PNSW has not granted any material financial guarantees.

Credit risk associated with PNSW's financial assets, other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards.

#### Cash and cash equivalents

Cash comprises cash on hand and bank balances within the NSW Treasury Banking System. Interest is earned on daily bank balances at the monthly average TCorp 11am unofficial cash rate, adjusted for a management fee to NSW Treasury.

#### Receivables - trade debtors

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.

PNSW applies the AASB 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade debtors.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on historical observed loss rates. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. Due to Covid-19, PNSW places more emphasis on the forward looking factors when assessing the expected credit loss of its debtors. Each individual debtor is reviewed for the recoverability of debts.

Trade debtors are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others a failure to make contractual payments for a period of greater than 90 days past due.

## PROPERTY NSW

### Section F: Financial Instruments and Other Notes

#### Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2023

The loss allowance for trade debtors as at 30 June 2023 and 30 June 2022 was determined as follows:

	\$'000					Total
	Current	<30 days	30-60 days	61-90 days	>91 days	
<b>30 June 2023</b>						
Expected credit loss rate	0.00%	0.00%	0.00%	0.00%	25.30%	4.50%
Estimated total gross carrying amount at default	28,662	3,817	2,421	649	7,699	43,248
<b>Expected credit loss</b>	-	-	-	-	1,948	1,948
<b>30 June 2022</b>						
Expected credit loss rate	0.00%	0.00%	0.00%	0.00%	75.25%	22.02%
Estimated total gross carrying amount at default	9,914	2,788	263	4,085	7,051	24,101
<b>Expected credit loss</b>	-	-	-	-	5,306	5,306

Notes: The analysis excludes statutory receivables, prepayments, as these are not within the scope of AASB 7. Due to this, the total will not reconcile to the receivables total in Note 7.

The entity was not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors as at 30 June 2023 and 30 June 2022. Most of PNSW's debtors are NSW Government Agencies with a AAA credit rating. There are no debtors which are currently not past due or impaired whose terms have been renegotiated.

#### (ii) Liquidity Risk

Liquidity risk is the risk that PNSW will be unable to meet its payment obligations when they fall due. PNSW continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets. The objective is to maintain a balance between continuity of funding and flexibility through the use of other advances.

PNSW have credit card facility of \$2.5 million at 30 June 2023.

During the current and prior year, there were no defaults of borrowings. No assets have been pledged as collateral. PNSW's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

Liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in TC 11-12. For small business suppliers, where terms are not specified, payment is made not later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received.

The table below summarises the maturity profile of the entity's financial liabilities based on contractual undiscounted payments, together with the interest rate exposure.

	Payables		Borrowings-Finance Lease	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Weighted Average Effective Interest Rate %	0.00%	0.00%	4.22%	2.80%
Nominal Amount	96,120	54,772	6,040,592	6,817,836
<b>Interest Rate Exposure</b>				
Fixed Interest Rate	-	-	3,870,118	4,719,958
Non-interest Bearing	96,120	54,772	-	-
<b>Maturity Dates</b>				
< 1 year	96,120	54,772	312,723	359,542
1 to 5 years	-	-	1,184,737	1,245,213
> 5 years	-	-	2,372,658	3,115,203

## PROPERTY NSW

### Section F: Financial Instruments and Other Notes

#### Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2023

##### (iii) 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.

PNSW's exposure to market risk is primarily through interest rate risk on the entity's BHP Remediation interest earning bank balance held within the NSW Treasury Banking System (Note 6(a)).

PNSW has no exposure to foreign currency risk as PNSW has hedged the USD contract with the USA company in relation to the remediation works at Hunter's Hill.

PNSW does not enter into commodity contracts.

##### (iv) Fair Value of Financial Instruments

PNSW's financial instruments are recognised at cost. The amortised cost of the entity's financial instruments recognised in the Statement of Financial Position approximates the fair value, because of the short-term nature of financial instruments. PNSW has not identified any financial instruments whose fair value differs materially from the carrying amount.

## 20. COMMITMENTS FOR EXPENDITURE

### (a) Capital Expenditure Commitments

Capital expenditure contracted at balance date but not provided for:

Payable within one year

**Total Capital Expenditure Commitments (Incl GST)**

<u>2023</u>	<u>2022</u>
<u>\$'000</u>	<u>\$'000</u>
45,051	12,879
<u>45,051</u>	<u>12,879</u>

Total capital expenditure commitments relate to contracted refurbishment works on various owned buildings. Capital expenditure commitments at 30 June 2023 include GST recoverable input tax credits of \$4.1 million (\$1.2m at 30 June 2022) that are expected to be recoverable from the Australian Taxation Office.

### (b) Operating Lease Commitments

Expenditure commitments on PNSW's operating lease liabilities are disclosed at Note 10(a).

### (c) Finance Lease Commitments

Expenditure commitments on PNSW's finance lease liabilities are disclosed at Note 10(a).

## 21. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

PNSW is liable to remediate the contaminated Truegain site located in Rutherford. The cost of soil and ground water remediation cannot be reliably estimated at the reporting date. Detailed assessment will be undertaken to determine the level of underground contamination and the remediation cost after the aboveground work is completed.

PNSW may be liable for payment of compensation arising from claims and other matters subject to litigation. The amounts involved cannot be accurately determined and in some instances are subject to arbitration. These claims are covered by the Treasury Managed Fund.

PNSW is not aware of any other contingent assets or liabilities at 30 June 2023 (\$Nil at 30 June 2022).

## PROPERTY NSW

### Section F: Financial Instruments and Other Notes

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2023

#### 22. RELATED PARTY DISCLOSURES

##### (a) Key Management Personnel Compensation

During 2022-23, PNSW incurred \$0.7 million in respect of the Key Management Personnel services that were provided by DPE (\$0.7 million in 2021-22).

##### (b) Transactions and Outstanding Balances with Other Related Parties

During 2022-23, other than the remuneration paid to Key Management Personnel by DPE, PNSW has not entered into other transactions with Key Management Personnel, their close family members and controlled or jointly controlled entities thereof (\$Nil in 2021-22).

##### (c) Transactions and Outstanding Balances with Other Government Entities

During 2022-23, PNSW entered into transactions with other entities that are controlled/jointly controlled/significantly influenced by NSW Government. These transactions are collectively, but not individually, a significant portion of PNSW's property rental income, fees for services rendered and grant and contribution revenue.

#### 23. 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 PNSW as at 30 June 2023.

##### (b) Non-Adjusting Events

Owned and Leased Office Accommodation Property Vesting and Property Divestments – Pursuant to the recommendations of the Government's Property Asset Utilisation Taskforce and subsequent Premier's Memorandum M2012-20, further divestment of various PNSW owned properties, in addition to the ongoing vesting of Government agency owned and leased properties is likely to occur in separate tranches during 2023-24. As the identification and validation of these properties was still in progress at the reporting date, estimates of the financial impact on PNSW's accounts in 2022-23 are not available.

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

**End of Audited Financial Statements**