



STATE PROPERTY AUTHORITY

ANNUAL REPORT 2008-2009

NSW Government Service Centre Queanbeyan



- Officially opened 4 September 2008
- Environmentally sustainable design
- 4.5 star NABERS energy rating
- Four levels plus basement car parking
- 6,200m² of customer service and office space
- 11 NSW Government agencies and some 300 staff
- State of the art visitor and staff amenities including on-line service access and building security

NSW Government Office Penrith

- Officially opened 12 December 2008
- Energy efficient design
- 4.5 star NABERS rating
- High performance glass façade
- Integrated building management and lighting
- Water harvesting – rooftop rainwater tank
- Multi-agency use
- Contemporary design features
- Flexible office space – 8,000 M²



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Letter of Submission

The Hon Michael Daley MP
Minister for Police
Minister for Finance
Parliament House
Macquarie Street
SYDNEY NSW 2000

Dear Minister

In accordance with the *Annual Reports (Statutory Bodies) Act 1984*, I have pleasure in submitting to you, for presentation to Parliament, a report on the activities and financial affairs of the State Property Authority for the period from 1 July 2008 to 30 June 2009.

Yours sincerely



Warwick Watkins
Chief Executive Officer



Statement by the Chief Executive Officer

During the second full year of operation, the State Property Authority significantly advanced the government's property reform program through the delivery of outcomes under Premier's Memorandum 2008-06. It also produced another successful year of business performance.

During 2008-09, the Authority achieved its financial performance targets and delivered a positive operating result. A dividend of \$39.1 million was paid to government, \$0.7m above budget. In addition, over \$120 million in savings and economic benefits from Authority leasing, property management and divestment activity was achieved against a target of \$83 million.

The Authority delivered strongly on a range of improvements and operational efficiencies in the use and performance of government properties. Significant resources were applied to progressing the vesting of a substantial quantum of government owned and leased office properties. The implementation of a commercial rental charge for all vested office accommodation and the transition of management responsibility of a substantial number of government office assets were also highlights during 2008-09.

During the financial year, the Authority completed the government endorsed programs of agency portfolio reviews and regional studies. These studies identified significant savings for government through better alignment of agency property assets with service delivery needs, and determined strategies to meet the future property needs of regional agencies consistent with government priorities.

Throughout the year, the Authority completed significant acquisition and divestment activity on behalf of agencies, realising a return to government of \$24 million.

2008-09 also saw the completion of new office accommodation projects in Penrith and Queanbeyan. Both projects, completed on time and within budget, resulted in improved facilities for staff and clients of 15 government agencies.

With its dedicated role in the management, leasing, disposal and development of the state's generic property assets, the State Property Authority is fast establishing itself as an industry leader and expert in government real estate property matters. Its strong business and financial performance and its sound operational base see it well equipped to continue delivering the coordinated, efficient and professional management of the government's property assets as it moves forward to 2009-10.



I would like to express my appreciation to all members of staff for their commitment and diligence and acknowledge their significant contribution to another successful year for the State Property Authority. In doing so, I would particularly acknowledge the contribution of Lorraine Brown, a much loved and respected Authority colleague who died after a short illness. Having worked with the agency since its inception, Lorraine was instrumental in the establishment of the Authority, fulfilling key roles in corporate and transactional functions. Her enthusiasm, dedication and camaraderie will always be remembered.



Warwick Watkins,
Chief Executive Officer

Aims and Objectives

The State Property Authority is the NSW Government's specialist corporate real estate service provider with functions relating to the acquisition, management and disposal of property vested in the Crown and government agencies; primarily generic properties such as offices, warehouses, depots and car parks.

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

Established as a Statutory Authority in September 2006 under the *State Property Authority Act 2006*, the State Property Authority became a division of the newly merged entity of the Land and Property Management Authority in July 2009.

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

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

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

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

The Office of the State Property Authority was a separate entity which engaged staff to provide services to the Authority during 2008-2009. The Office was established on 1 September 2006 under the Public Sector Employment and Management (State Property Authority) Order. A formal Memorandum of Understanding outlined the arrangement between the two organisations. The Office of the State Authority Property was also responsible to the Minister for Finance. The Office of the State Property Authority was abolished in July 2009 with the establishment of the Land and Property Management Authority.



Organisational Outcomes and Achievements 2008-09

2008-09 was another successful year of operation for the State Property Authority, marked by considerable progress in implementing the government's property reforms, the achievement of financial and non-financial targets and the delivery of a strong operating result.

Financial highlights for 2008-09 included the delivery of a \$39.1 million dividend payment to government, \$0.7m above target. Significantly, the Authority achieved \$120 million in savings and economic benefits from the divestment, leasing and improved utilisation of the government's generic property assets. This result, which included \$8.4 million in recurrent savings, was \$37 million above the target set by NSW Treasury.

2008-2009 Key Performance Indicators

	2008-09 TARGET	2008-09 ACTUAL
Dividend to government	\$38.4m	\$39.1m
Whole-of-government savings	\$83m	\$120m
Vesting of generic properties	50% program implementation	Completed - 445 offices vested
Management of portfolio vacancies	<1.5% of vacant space	1.2%
NSW Government Office, Penrith	Completed	Completed on time and within budget. Opened December 2008.
NSW Government Service Centre, Queanbeyan	Completed	Completed on time and within budget. Opened September 2008.

Throughout the reporting year, the Authority devoted considerable resources to initiating strategies to achieve operational efficiencies in the use of government office accommodation. This included the vesting of, and transferring management responsibility for 445 government owned and leased assets. This concentrated vesting activity saw the Authority's property portfolio grow to just over 1 million square metres as at 30 June 2009.



Business highlights for 2008-09 included completion of the government endorsed program for the review of agencies' property portfolios to assist in aligning agency property assets and service delivery needs. Agency reviews completed during the reporting period identified significant potential savings for government through more efficient use of its office properties. The regional studies program also saw the Authority well positioned to provide informed recommendations to government on the accommodation needs of agencies delivering key government services to regional NSW communities, particularly in respect of critical human services.

During the financial year, the Authority continued to provide significant policy advice to government. A major outcome was the development and implementation of a comprehensive strategy to mitigate the government's potential financial exposure to long term rental pressures for Sydney Central Business District (CBD) office accommodation. This included the development of a framework for decision making on government agency relocations and criteria for agencies to retain a CBD presence.

A major strategy was also progressed to upgrade the office portfolio to achieve more efficient energy and water usage in line with the NSW Government's Sustainability Policy. The Authority assumed a leadership role by commencing environmental ratings of its portfolio and implementing capital upgrades to improve base building performance.

In 2008-09, the Authority maintained its lead role in the acquisition and disposal of properties on behalf of government agencies, including delivering and advising on disposals identified in the November 2008 Mini-Budget. The divestment of surplus government property to an assessed market value of nearly \$24 million represented a sound result given the financial challenges presented by the global financial crisis and the associated low level of market activity. Divestment activity for 2009-10 is expected to exceed the targeted quantum as market conditions improve and properties are released for sale.

The financial year saw the completion and official opening of the new NSW Government Service Centre, Queanbeyan, and the NSW Government Office, Penrith. Both of these Authority managed infrastructure projects were completed on time and within budget. These state-of-the-art facilities, incorporating the latest in energy and water saving features, have been designed to achieve a 4.5 star sustainability rating and demonstrate the Authority's commitment to delivering on the government's targets under its Sustainability Policy.



The Authority also continued to develop its structures, resources and expertise required to deliver an effective, coordinated and professional approach to managing the government's property assets. This included the design of a client relationship management system to assist in maintaining cooperative relationships with agencies in the effective support of their property needs. The development and trial of a Help Desk to facilitate the timely and efficient referral of property management issues to a centralised service point also assisted the Authority in delivering the efficient, high quality property management services expected by its client agencies.

During the June quarter, the Authority approached the market for an outsourced facilities management services provider to assist in the day to day operation of the government's expanded property portfolio.

The Authority's significant outcomes and achievements during 2008-09 have laid a strong business and operational foundation for the organisation as it moves forward to 2009-10 under the newly merged entity of the Land and Property Management Authority.

Planning and Strategy

Throughout 2008-09, the State Property Authority continued to provide advice to central government and government agencies on various property related matters. These activities included:

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

In addition, considerable resources were committed to providing advice to government on further development of the Property Policy Framework, specifically in relation to the Sydney CBD.

The Authority also successfully completed its 2008-09 government endorsed property portfolio review program to identify improvements in property management outcomes for agencies. Assessments were also undertaken in a number of regional centres to determine the alignment of service delivery needs and agencies' property assets.



In the first quarter of 2008-09, the Authority commenced development of its annual Total Asset Management Plan as required by NSW Treasury. The plan provides an overarching asset strategy with supporting implementation plans as a framework for asset maintenance and forward capital works.

Portfolio Management

During the reporting period, the Authority concentrated on preparatory work for the ownership and management of an expanded property portfolio. Extensive senior level agency visits, verification of property data, due diligence and leasing documentation resulted in an additional 111 government owned and leased properties vested in the Authority. A further four owned and 309 leased properties were also assessed and scheduled for vesting, effective 1 July 2009. This activity saw the Authority assume management responsibility for 445 owned and leased properties from 16 government agencies since the commencement of the vesting program.

During the reporting period, the Authority proceeded to tender for the provision of a facilities management service provider to ensure it has operational capability for day to day facilities management of the expanded portfolio.

The 2008-09 financial year also saw the development and roll out of agency Memoranda of Understanding and occupancy agreements for owned and leased properties to guide the operational management of agency office accommodation. The development and implementation of a direct debit system for agencies' rental payments will also generate savings through reduced agency administration costs.

During 2008-09, the Authority completed 250 leasing activities including new leases, lease renewals, lease options and market rent reviews. This activity reflects the Authority's enhanced role under the government's property policy which requires all agency lease negotiations within the Sydney CBD, the Greater Sydney Metropolitan Area and regional NSW to be dealt with by the Authority.

The Sydney CBD market was buoyant during the first part of the financial year, with minimal vacancies and high rentals. However, with the onset of the global financial crisis, vacancies increased and the resulting strong sublease market provided significant savings on behalf of government agencies.



The Authority, through its outsourced service providers, continued to manage the facility operations of government owned buildings throughout NSW, providing services such as cleaning, ad-hoc repairs and equipment maintenance. Inspections were conducted on 70 newly vested properties allowing extensive capital works programs to be scheduled to ensure the government's buildings comply with building codes and statutory requirements.

New signage was installed at selected regional government office buildings following the development of signage guidelines for the Authority's owned and leased properties.

To assist in maintaining essential community services, the Authority spent approximately \$9.2 million on capital works projects for the Government Property Portfolio, including major building repairs, air conditioning upgrades and installation of lifts and disabled access facilities. This included the commencement of a three year project for the replacement of lifts in the McKell Building in the Sydney CBD. Eleven major projects resulted in significant improvement in amenity for the general public and reduced energy consumption leading to lower operational costs. Seventy minor projects supported the maintenance of building compliance with Australian Standards and Occupational Health and Safety requirements. In addition, 36 risk assessments were completed on owned buildings as part of the ongoing building compliance program.

Work continued throughout the year on the development of the Authority's property portfolio information systems. A range of new reports have been designed within the Property Management System to improve information access and to assist in managing the portfolio. A project to upload the Property Management System on the web to provide tenants and contractors with direct access to property information is currently underway.

During 2008-09, the Authority continued in its role of Contract Administrator for the outsourced property services contract for the NSW Police property portfolio. This portfolio comprises 580 police stations, 50 specialist properties servicing the NSW Water Police and Air Wing, as well as the Goulburn Police Training College. In addition, 613 residential properties are also under management.



Sustainability Strategy

The Sustainability Policy for NSW Government, released in December 2008 identified the Authority as a key delivery agency for policy implementation. During 2008-09, the Authority further developed its Sustainability Strategy to meet the government's sustainability targets. These targets require:

- all government owned or tenanted buildings to obtain 4.5 star environmental performance ratings for both energy and water efficiency by 1 July 2011
- a 15% reduction in water consumption across all budget dependent agencies
- a return to 2000 level greenhouse gas emissions by 2019-20

The Sustainability Policy principles have been adopted as an integral part of the Authority's business, enabling a significant program of works to implement the government's "green" initiatives. These include:

- implementation of a web-based utility (water and energy) monitoring, recording and reporting system for major property holdings
- completion of initial NABERS (National Australian Built Environment Rating System) audits of Authority buildings
- appointment of a panel of assessors to enable procurement of NABERS ratings for agency owned/occupied premises at a whole-of-government price
- a retrofit program for existing office accommodation buildings that provides operating cost reductions for energy and water
- development of a Green Lease Schedule for use in leases of tenanted buildings to encourage and enforce reductions in carbon emissions
- participation in the Government Property Group's development of a National Green Lease Policy and Schedule for use Australia wide.

The Authority's government office buildings in Dubbo and Grafton were rated five stars under the NABERS rating scheme. The Grafton building was recognised by the Department of Environment, Climate Change and Water as the most water efficient building in NSW.

Through a range of sustainability initiatives, the Authority is also improving the energy efficiency of the government's leased and owned office properties. Initiatives include the replacement of windows in older buildings with thermal insulating glass, the upgrade of older style fluorescent lighting to T5 globes saving up to 60% on power consumption and the installation of timed switches on air conditioning and other power using devices.



Throughout the year, the Authority promoted sustainability concepts to tenants and the public through tenant newsletters, on-site tenant meetings and presentations at conferences. The Authority also encouraged the recycling of materials such as paper, plastic, cardboard, glass and toner cartridges by providing recycling facilities throughout the Government Property Portfolio.

Divestments, Acquisitions and Development

During 2008-09, the Authority continued in its role as the government's preferred agency for the acquisition and disposal of government property and undertook a range of divestment activities in accordance with the program for the disposal of surplus assets. Challenging market conditions during 2008-09, largely due to the global financial crisis, saw the sale of nearly \$24 million worth of surplus property assets. Properties sold included a school at North Parramatta, a school at Maroubra, and the Lidcombe and Campsie courthouses.

The Authority also completed various pre-sales activities to help maximise the future sale price of surplus properties. These activities included:

- negotiating with local councils or other consent authorities to change the future use of property to maximise its development potential
- addressing environmental and land management issues
- preparing due diligence and marketing material
- preparing properties for sale.

During 2008-09, the Authority progressed sales activity for its large property holding in Newcastle. This included transfers to the Hunter Development Corporation for commercial development and port related land to the Newcastle Port Corporation.

Under the direction of NSW Treasury, the Authority also delivered on a program of asset sales for a number of government agencies, including a review of Australian Technology Park as a proposed divestment.

Three properties in Nelson Parade, Hunters Hill owned by NSW Health were transferred to the Authority in advance of remediation activities to remove contaminated material. The Authority is preparing the necessary planning approvals to manage a comprehensive remediation project on these properties with a view to rendering them suitable for residential development.



The new NSW Government Office, Penrith was completed in November 2008 and was officially opened by the Premier, the Hon Nathan Rees MP on 12 December 2008. This followed the completion and official opening of the NSW Government Service Centre, Queanbeyan on 4 September 2008. Both of these contemporary, state-of-the-art office facilities were completed on time and within budget and designed to achieve an environmental performance NABERS rating of 4.5 stars. The Penrith complex was awarded the Penrith City Council Excellence in Design Award for 2009.

A number of other development projects were managed and led by the Authority during the financial year. These included preparing an Expression of Interest to develop a new village centre at Perisher Valley and assisting the Botanic Gardens Trust with a commercial arrangement for the Domain Car Park in the Sydney CBD.

Stakeholder Engagement

In the 2008-09 financial year, the Authority commenced development of an electronic Client Relationship Management System designed to ensure effective client agency communications. The system enables the Authority to record information about clients to improve cross-divisional communications. Senior Authority officers also undertook a program of regular executive level meetings regarding the program for the vesting of agency owned and leased properties.

The Authority's annual Customer Satisfaction Survey engaged with client agencies to obtain data to inform the review of its customer service performance. Engagement with stakeholders was also maintained via the online feedback facility at spafeedback@spa.nsw.gov.au.

In the 2008-09 financial year, specialist communications consultants, Elton Consulting, developed a communications strategy to better engage with stakeholders concerning the remediation of 7, 9 and 11 Nelson Parade, Hunters Hill. As part of the community consultation program the Authority continues to hold regular community meetings and distribute community newsletters.

The publication of promotional material and collateral, including the corporate brochure "*Enabling Better Services*" and material on the new NSW Government Service Centre, Queanbeyan also provided stakeholders with information on the aims and objectives of the Authority and the services it provides to client agencies.



Financial Performance

Overview

FINANCIAL PERFORMANCE SUMMARY	2008-09 ACTUAL \$'000	2008-09 BUDGET \$'000	VARIANCE TO BUDGET \$'000	2009-10 BUDGET \$'000
INCOME STATEMENT				
Revenues	218,278	215,921	2,357	261,344
Expenses	171,858	165,111	(6,747)	220,154
Net Gain on Asset Disposals/Valuations	2,094	2,627	(533)	0
OPERATING SURPLUS	48,514	53,437	(4,923)	41,190
BALANCE SHEET				
Total Assets	1,162,703	1,137,189	25,514	1,263,698
Total Liabilities	389,140	329,836	(59,304)	352,011
NET ASSETS/EQUITY	773,563	807,353	(33,790)	911,687
CAPITAL PROGRAM				
Property Construction & Acquisition	12,987	12,000	(987)	0
Property Upgrading & Other	8,631	6,890	(1,741)	16,302
TOTAL CAPITAL PROGRAM	21,618	18,890	(2,728)	16,302
FINANCIAL DISTRIBUTIONS				
Normal Dividend	39,035	38,392	(643)	32,603
Capital Repatriations	0	16,475	16,475	0
TOTAL FINANCIAL DISTRIBUTIONS	39,035	54,867	15,832	32,603

In 2008-09, the State Property Authority recorded an operating surplus of \$48.5 million against a budgeted surplus of \$53.4 million. An analysis of the Authority's operating result, including a summary of the 2009-10 budget, is outlined in the following sections.

The Authority retained a strong balance sheet position at 30 June 2009 with the ratio of total assets to total liabilities standing at 3.0:1, the ratio of current assets to current liabilities at 3.7:1 and net assets totalling \$773.6 million. Net assets comprised total assets of \$1,162.7 million (including \$975 million in property assets) less total liabilities of \$389.1 million.

Asset investment projects in 2008-09 comprised the completion of construction of government office buildings in Queanbeyan and Penrith. Other projects included works on the major renewal and upgrading of existing owned buildings, works of a regulatory compliance nature, and other minor works on corporate systems and equipment purchases.

Total capital expenditure of \$21.6 million in 2008-09 was \$2.7 million greater than budget. This increase was the result of \$1.5 million in net savings on the originally approved capital budget for 2008-09, offset by additional expenditure of \$4.2 million which was approved by the Treasurer in January 2009 for the Authority to purchase No 11 Nelson Parade, Hunters Hill from NSW Health.

Surplus cash generated from the Authority's property rental activities is returned to the state government in the form of normal dividend distributions. Normal dividend distributions paid by the Authority in 2008-09 totalled \$39 million which was a \$0.7 million improvement on budget.



2008-09 Operating Result

INCOME STATEMENT	2008-09 ACTUAL \$'000	2008-09 BUDGET \$'000	VARIANCE TO BUDGET \$'000	2009-10 BUDGET \$'000
REVENUES				
Rental Income	185,336	176,643	8,693	230,630
Fees for Services	3,055	5,797	(2,742)	3,429
Interest Income	4,330	5,346	(1,016)	2,884
Government Contributions				
Recurrent	5,910	7,944	(2,034)	5,500
Capital	17,447	18,890	(1,443)	16,301
Emerging Asset Income	2,200	1,301	899	2,600
TOTAL REVENUES	218,278	215,921	2,357	261,344
EXPENSES				
Employee Related Expenses	11,948	13,677	1,729	14,261
Property Head Lease Expense	99,080	99,454	374	148,957
Other Property and Operating Expenses	25,243	27,620	2,377	31,238
Finance Costs	13,604	9,103	(4,501)	8,128
Depreciation and Amortisation	21,983	15,257	(6,726)	17,570
TOTAL EXPENSES	171,858	165,111	(6,747)	220,154
Gain/(Loss) on Disposal of Assets	0	2,627	(2,627)	0
Valuation Gains/(Losses)	2,094	0	2,094	0
NET SURPLUS	48,514	53,437	(4,923)	41,190

The Authority's 2008-09 operating surplus of \$48.5 million was \$4.9 million less than budget. This result was the combination of a \$1.8 million net improvement in total revenues (including valuation adjustments) offset by a net increase of \$6.7 million in total expenses.

Operating revenue totalled \$218.3 million against a budgeted target of \$215.9 million. Of total revenues, \$185.3 million represented rental income from the Authority's owned and leased property portfolio. Rental income improved on budget by \$8.7 million largely due to unbudgeted rental receipts on various Newcastle land leases which were originally earmarked for divestment at the time of developing the 2008-09 budget.

Operating expenses totalled \$171.9 million against a full-year budget of \$165.1 million. Of total expenses, \$99.1 million was incurred on head lease rentals for properties leased from the private sector for the purpose of providing government agency office accommodation.

Employee related expenses, other operating expenses and finance costs all varied to budget largely due to factors associated with the economic downturn in 2008-09. However, the \$6.7 million increase in depreciation and amortisation expenses was due to an overall lowering of useful life estimates across the Authority's owned office accommodation property portfolio which resulted from independent valuations undertaken in June 2009.



2009-10 Operating Budget Overview

The Authority's 2009-10 operating budget projects a surplus of \$41.2 million. This surplus will result from total revenue of \$261.3 million less total expenses of \$220.1 million.

Budgeted total revenue of \$261.3 million in 2009-10 includes \$230.6 million in rental income received from the Authority's portfolio of owned and leased office accommodation properties. Total revenue also includes \$16.3 million in capital contributions received from the state government to fund the Authority's government office building refurbishment program. A further \$5.5 million in recurrent contributions will also be received from the government to fund whole-of-government property related services provided by the Authority to other government agencies.

An increase in total revenue over 2008-09 will result largely from the vesting in the Authority of additional owned and leased office accommodation properties from 1 July 2009. However, this increase will be all but offset by an equivalent increase in property head lease rental expenses.

Total expenses of \$220.1 million are budgeted in 2009-10. The majority of these expenses relate to government agency occupied office accommodation properties and include head lease rental payments of \$149 million and other property related expenses (such as outgoings, utilities, maintenance and depreciation) of \$45.8 million.

2008-09 Independent Audit Outcome

The preceding financial performance and budget information is unaudited financial information. Audited financial information, including the primary financial statements and notes to the accounts of the State Property Authority and its former controlled entity, the Office of the State Property Authority, is presented within the Audited Financial Information section this report.

The independent Audit of the Authority's accounts was completed by the Audit Office of NSW on 16 October 2009. The Audit Office issued an unmodified Independent Auditor's Report for both entities on that date.

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



Corporate Governance and Management

Corporate Governance

The State Property Authority is managed by a Chief Executive Officer, reporting to the Minister for Finance. In addition, an Advisory Board provides strategic advice to the Chief Executive Officer in delivering the government's property reform program.

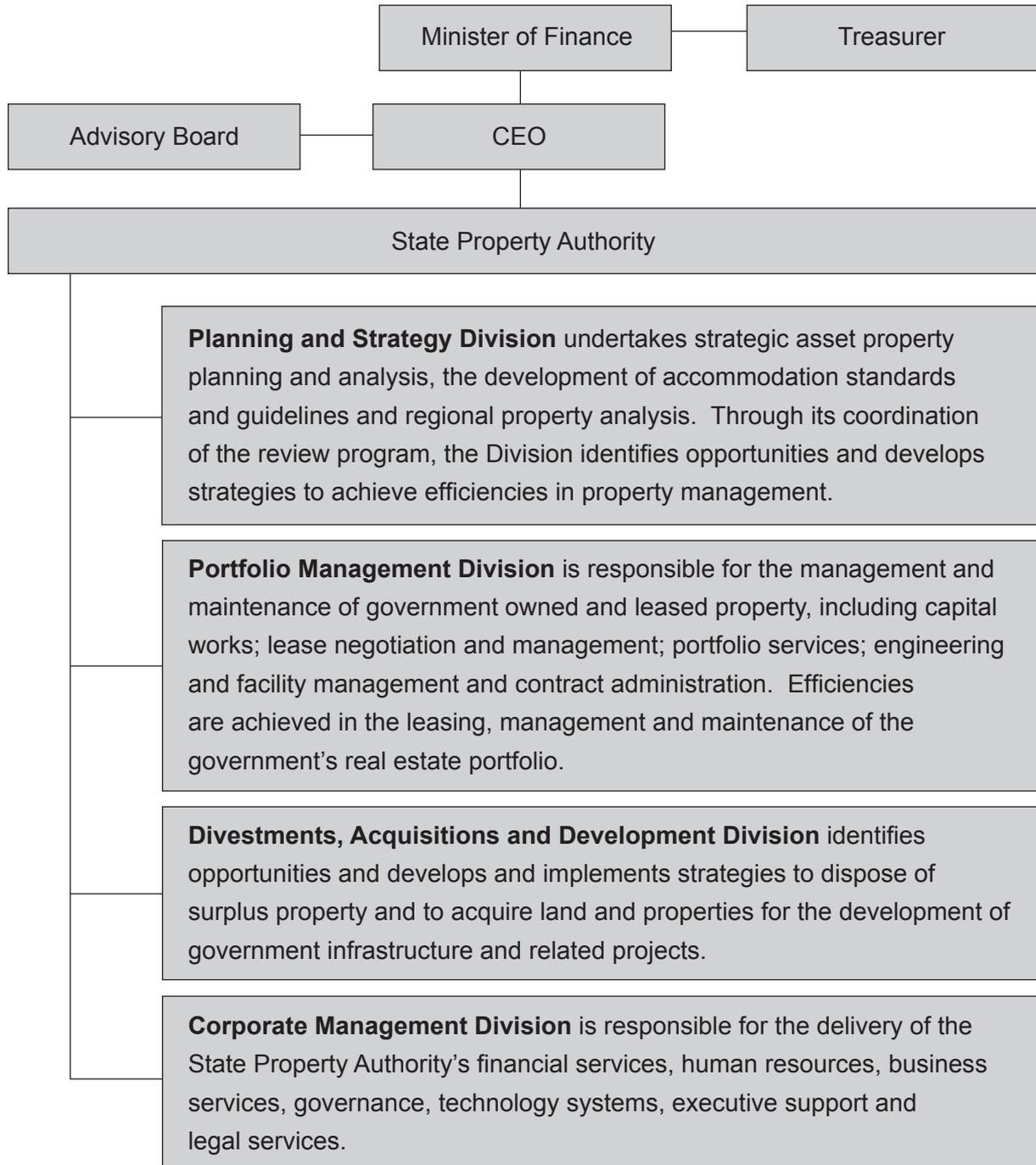
The Advisory Board comprises the Deputy Secretary, Office of Infrastructure Management, NSW Treasury (Chair), the Director General (or nominee), Department of Premier and Cabinet and the Director General, Department of Education and Training. The Board met on a regular basis during 2008-09.

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

The Authority has established an independent Audit and Risk Management Committee in addition to operational management committees relating to its core functions.



Organisation Structure



Corporate Management

During 2008-09, the Authority's Corporate Management Division continued to provide a comprehensive range of corporate support services to the Authority, the CEO, the Advisory Board and the Minister. These included human resources, business services, financial management, ministerial support and legal services.

Human Resources

Consistent with the Workforce Management Plan and to meet revised structures and functions for the Authority's three operational divisions, recruitment and permanent appointment of staff continued during the early part of 2008-09.

This activity was supplemented by additional contractor engagement to fulfil the enhanced workload associated with the vesting and initial management of generic government owned and leased properties.

Outcomes and achievements during the reporting period included:

- delivery of learning and development programs including administrative, supervisory, management development and computer-based training
- development and implementation of a strategic framework for organisational development in the Authority
- development and integration of strategic human resource programs into the Authority's Business Plan
- development and implementation of a Corporate Communications Strategy across the Authority
- development and implementation of new structural, functional and staffing arrangements for the Portfolio Management Division to meet the government's property reform agenda.

Business Services

Throughout 2008-09, the Business Services unit continued to provide a range of corporate support services to the Authority including:

- administration of corporate governance and internal reporting including audit and risk management, divisional reporting, insurance and compliance
- development of administrative policies and procedures
- provision of information technology and records management support
- management of internal communications services, accommodation and building security



- management of motor vehicle fleet, computer hardware, asset management and office equipment procurement
- administration of agreements with business and corporate service providers.

Financial Services

During the period, the Authority's Finance Branch provided a comprehensive range of management, financial and transactional accounting services for the Authority's combined property and corporate operations. These services include annual financial report preparation, budget development, management and statutory reporting, taxation accounting, accounts payable, accounts receivable, cash management, banking and financial systems administration.

Major outcomes and achievements during 2008-09 included:

- development of the Authority's 2009-10 financial plan and consolidated budget incorporating estimates for the ongoing program of owned and leased property vesting
- coordination, setup and input into the Authority's Management Reports International (MRI) property management system of landlord and tenant details for the Authority's ongoing property vesting program
- continued development of the Authority's MRI property management system accounting modules to provide enhanced property and corporate accounts receivable, billing, project costing, corporate general ledger and financial performance reporting functionality
- ongoing development and implementation of a comprehensive monthly financial performance reporting framework.

Workforce Profile 2008-2009

During the 2008-09 financial year, the State Property Authority continued to develop its skills and capacity to manage the expanded property portfolio in line with its workforce plan. This was done in the context the government's staffing and recruitment policies. The profile of the Agency's workforce, including its Senior Executive Service (SES), is outlined below.

Category	2006-07	2007-08	2008-09
Senior Executive Service	1.0	5.0	4.0
Corporate Management	13.0	13.0	17.8
Property Management	53.8	50.8	64.8
TOTAL	67.8	68.8	86.6

*As at 30 June 2009. Excludes permanent employees of other agencies seconded to the State Property Authority and excludes contractors and consultants.

SES Profile

Remuneration	2008-09		2007-08	
	Male	Female	Male	Female
SES 6		1		1
SES 3	3		3	
SES 2		1*		
TOTAL	5		4	

* Position deleted January 2009



Chief Executive Officer

Ms Anne Skewes, BBSoc, Grad Dip App Soc Psych, MA.

During the 2008-09 financial year, the Chief Executive Officer:

- achieved \$120 million of savings and economic benefits from centralised ownership and management of government office accommodation; \$37 million above target
- delivered \$39.1 million in dividend payment to government, \$0.7 million above target
- vested 445 government owned and leased generic property assets into the Authority
- completed construction of the NSW Government Service Centre, Queanbeyan, and the NSW Government Office, Penrith
- completed the government endorsed programs of agency property reviews and regional studies
- delivered specialist advice to government, including development of a comprehensive Sydney CBD accommodation strategy to mitigate exposure to rising rental pressures
- managed an efficient government office portfolio with vacancies maintained at less than 1.4%
- managed the Authority's sustainability strategy to upgrade the office portfolio to a NABERS 4.5 star energy and water rating.

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

Other Senior Executive staff included:

- Mr Lindsay Haraldson Dip. Bus. General Manager, Planning and Strategy, SES Level 3
- Mr Richard Hemsworth MBA, BSc, BEd, General Manager, Portfolio Management, SES Level 3
- Mr Simon Furness, MBA, BSc (Hons), General Manager, Divestments, Acquisitions and Development, SES Level 3
- Ms Jodi Denehy, BA, LLB, MA, Corporate Counsel, SES Level 2. Position deleted from establishment January 2009.

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STATE PROPERTY AUTHORITY

State Property Authority

Financial Report

For the Year Ended 30 June 2009

Statement by the Chief Executive Officer

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

- (a) The accompanying financial statements exhibit a true and fair view of the financial position of the State Property Authority as at 30 June 2009 and the transactions for the year then ended.
- (b) The financial report complies with applicable Australian Accounting Standards (which include Australian Accounting Interpretations), the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2005*, and the Treasurer's Directions.

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

A handwritten signature in black ink, appearing to read 'Warwick Watkins', is written over a light blue horizontal line.

Warwick Watkins
Chief Executive Officer
Land and Property Management Authority

SYDNEY
13 October 2009





GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

State Property Authority and controlled entity

To Members of the New South Wales Parliament

I have audited the accompanying financial report of State Property Authority (the Authority), which comprises the balance sheet as at 30 June 2009, the income statement, statement of recognised income and expense and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes for both the Authority and the consolidated entity. The consolidated entity comprises the Authority and the entities it controlled at the year's end or from time to time during the financial year.

Auditor's Opinion

In my opinion, the financial report:

- presents fairly, in all material respects, the financial position of the Authority and the consolidated entity as at 30 June 2009, and of their financial performance for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2005

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

The Chief Executive Officer's Responsibility for the Financial Report

The Chief Executive Officer is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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



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

My opinion does *not* provide assurance:

- about the future viability of the Authority or consolidated entity,
- that they have carried out their activities effectively, efficiently and economically, or
- about the effectiveness of their internal controls.

Independence

In conducting this audit, the Audit Office of New South Wales has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A Act further promotes independence by:

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



Heather Watson
Director, Financial Audit Services

16 October 2009
SYDNEY

State Property Authority

Start of Audited Financial Statements

Income Statement

For the Year Ended 30 June 2009

	Note	Consolidated Entity		Authority	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Revenue					
Property Rental Income	2(a)	185,336	159,664	185,336	159,664
Fees for Services	2(b)	3,055	4,417	3,055	4,417
Grants and Contributions	2(c)	23,357	80,316	23,357	80,316
Interest	2(d)	4,330	6,918	4,330	6,918
Emerging Asset Income	2(e)	2,200	1,850	2,200	1,850
Total Revenue		218,278	253,165	218,278	253,165
Expenses Excluding Losses					
Employee Related Expenses	3(a)	11,948	8,938	17,272	10,552
Property Head Lease Expense	3(b)	99,080	91,138	99,080	91,138
Other Property Related Expenses	3(c)	21,951	18,298	21,951	18,298
Finance Costs	3(d)	13,604	(4,954)	13,604	(4,954)
Depreciation and Amortisation	3(e)	21,983	14,265	21,983	14,265
Other Operating Expenses	3(f)	3,292	3,303	3,292	3,303
Total Expenses Excluding Losses		171,858	130,988	177,182	132,602
Net Gain/(Loss) on Disposal of Property Plant & Equipment	4(a)	-	16,759	-	16,759
Net Gain/(Loss) on Revaluation of Property Plant and Equipment	4(b)	3,868	(12,601)	3,868	(12,601)
Net Gain/(Loss) on Revaluation of Investment Property	4(c)	(1,635)	7,822	(1,635)	7,822
Net Gain/(Loss) on Revaluation of Finance Leased Assets	4(d)	(139)	-	(139)	-
Net Surplus for the Year		48,514	134,157	43,190	132,543

[The accompanying notes form part of these statements]



State Property Authority

Statement of Recognised Income and Expense

For the Year Ended 30 June 2009

	Note	Consolidated Entity		Authority	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Net Surplus for the Year		48,514	134,157	43,190	132,543
Gains/(Losses) Recognised Directly in Equity					
Net Gains/(Losses) on Property Revaluations	15(b)	31,835	147,454	31,835	147,454
Revaluation Decrement - Impairment Losses	15(b)	(195,396)	-	(195,396)	-
Superannuation Actuarial Gains/(Losses)	15(a)	(5,324)	(1,614)	-	-
Net Gains/(Losses) Recognised Directly in Equity		(168,885)	145,840	(163,561)	147,454
Total Recognised Income and Expense for the Year		(120,371)	279,997	(120,371)	279,997
Effect of Changes in Accounting Policy					
Net Surplus Previously Reported			132,543		132,543
Change of Policy - Superannuation Actuarial Gains & Losses			1,614		-
Restated Net Surplus for the Year			134,157		132,543

[The accompanying notes form part of these statements]



State Property Authority

Balance Sheet

As At 30 June 2009

	Note	Consolidated Entity		Authority	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
ASSETS					
Current Assets					
Cash and Cash Equivalents	5	140,583	120,628	140,583	120,628
Receivables	6	20,609	18,781	17,807	16,477
Assets Held For Sale	9	795	-	795	-
Property, Plant and Equipment	7	75,000	-	75,000	-
Total Current Assets		236,987	139,409	234,185	137,105
Non-Current Assets					
Property, Plant and Equipment	7	860,151	1,085,209	860,151	1,085,209
Investment Property	8	39,155	23,540	39,155	23,540
Intangibles	10	466	251	466	251
Receivables	6	25,944	15,289	25,944	15,179
Total Non Current Assets		925,716	1,124,289	925,716	1,124,179
TOTAL ASSETS		1,162,703	1,263,698	1,159,901	1,261,284
LIABILITIES					
Current Liabilities					
Payables	11	30,729	19,008	31,876	20,015
Finance Lease Liabilities	16(d)	2,146	1,989	2,146	1,989
Provisions					
- Land Remediation	13	20,743	1,137	20,743	1,137
- Other	13	7,432	5,719	3,483	2,408
Other Liabilities					
- Deferred Income	14	3,172	3,172	3,172	3,172
Total Current Liabilities		64,222	31,025	61,420	28,721
Non-Current Liabilities					
Payables	11	-	-	6,372	1,364
Finance Lease Liabilities	16(d)	50,430	52,576	50,430	52,576
Provisions					
- Land Remediation	13	76,352	82,765	76,352	82,765
- Other	13	32,316	16,653	25,944	15,179
Other Liabilities					
- Deferred Income	14	165,820	168,992	165,820	168,992
Total Non-Current Liabilities		324,918	320,986	324,918	320,876
TOTAL LIABILITIES		389,140	352,011	386,338	349,597
NET ASSETS		773,563	911,687	773,563	911,687
EQUITY					
Retained Earnings	15(a)	761,582	712,320	761,582	712,320
Asset Revaluation Reserve	15(b)	11,981	199,367	11,981	199,367
TOTAL EQUITY		773,563	911,687	773,563	911,687

[The accompanying notes form part of these statements]



State Property Authority

Cash Flow Statement

For the Year Ended 30 June 2009

	Note	Consolidated Entity		Authority	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Payments					
Property Related		(124,827)	(123,271)	(124,827)	(123,271)
Employee Related		(11,985)	(9,656)	(11,985)	(9,656)
Land Remediation		(1,637)	(24,758)	(1,637)	(24,758)
Other		(5,501)	(7,294)	(5,501)	(7,294)
Total Payments		(143,950)	(164,979)	(143,950)	(164,979)
Receipts					
Rental Income		179,146	163,259	179,146	163,259
Fees for Services		1,560	5,803	1,560	5,803
Interest		6,272	6,976	6,272	6,976
Other		13,904	1	13,904	1
Total Receipts		200,882	176,039	200,882	176,039
Cash Flows from Government					
State Government Contribution		24,037	79,636	24,037	79,636
Net Cash Flows from Government		24,037	79,636	24,037	79,636
NET CASH FLOWS FROM OPERATING ACTIVITIES					
	5(b)	80,969	90,696	80,969	90,696
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of Property, Plant and Equipment		(21,967)	(76,349)	(21,967)	(76,349)
Proceeds from Sale of Property Plant and Equipment		-	41,267	-	41,267
NET CASH FLOWS FROM INVESTING ACTIVITIES		(21,967)	(35,082)	(21,967)	(35,082)
CASH FLOWS FROM FINANCING ACTIVITIES					
Financial Distributions to the State Government	1(u)	(39,047)	(75,597)	(39,047)	(75,597)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(39,047)	(75,597)	(39,047)	(75,597)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS					
		19,955	(19,983)	19,955	(19,983)
Opening Cash and Cash Equivalents		120,628	120,225	120,628	120,225
Cash Transferred in as a Result of Administrative Restructuring		-	20,386	-	20,386
CLOSING CASH AND CASH EQUIVALENTS	5(a)	140,583	120,628	140,583	120,628

[The accompanying notes form part of these statements]



State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

The State Property Authority (the Authority) was established under the *State Property Authority Act, 2006*. As a reporting entity, the Authority comprises all entities under its control. The consolidated entity comprises the Authority and the Office of the State Property Authority (the Office). The Office is a Division of the Government Service under Schedule 1 of the *Public Sector Employment and Management Act, 2002* and its sole objective is to provide personnel services to the Authority.

The Authority commenced operations on 1 September 2006 and is domiciled in Australia. Its principal business address is Bligh House, 4-6 Bligh Street, Sydney NSW 2000. The Authority and its controlled entity are not-for-profit entities as profit is not their principal objective. They are consolidated as part of the NSW Total Sector Accounts.

These financial statements have been authorised for issue by the Authority's Chief Executive Officer on 13 October 2009.

(b) Basis of Preparation

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

- (i) applicable Australian Accounting Standards (which includes Australian Accounting Interpretations);
- (ii) other authoritative pronouncements of the Australian Accounting Standards Board (AASB); and
- (iii) the requirements of the *Public Finance and Audit Act, 1983* and the *Public Finance and Audit Regulation, 2005* and Treasurer's Directions.

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

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

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

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

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

(c) Statement of Compliance

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

Australian Accounting Standards that have recently been issued or amended but are not yet effective and have not been adopted for the reporting period ending 30 June 2009 are:

- AASB 1 regarding first-time adoption of Australian Accounting Standards.
- AASB 3 (Mar 2008), AASB 127 and AASB 2008-3 regarding business combinations.
- AASB 8 and AASB 2007-3 regarding operating segments.
- AASB 101 (Sept 2007), AASB 2007-8 and AASB 2007-10 regarding presentation of financial statements.
- AASB 123 (June 2007) and AASB 2007-6 regarding borrowing costs.
- AASB 1039 regarding concise financial reports.
- AASB 2008-1 regarding share based payments.
- AASB 2008-2 regarding puttable financial instruments.
- AASB 2008-5 and AASB 2008-6 regarding amendments to Australian Accounting Standards arising from the Annual Improvements Project.



State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2009

- AASB 2008-7 regarding costs of an investment in a subsidiary, jointly controlled entity, or an associate.
- AASB 2008-8 regarding eligible hedged items.
- AASB 2008-9 regarding AASB 1049 amendments consistent with AASB 101.
- AASB 2008-11 regarding business combinations with not-for-profit entities.
- AASB 2009-1 regarding borrowing costs of not-for-profit public sector entities.
- AASB 2009-2 regarding financial instrument disclosures.
- AASB 2009-3 regarding embedded derivatives.
- AASB 2009-4 regarding amendments to AASB 2, 138 and AASB Interpretations 9 and 16.
- AASB 2009-5 regarding further amendments to AASB 5, 8, 101, 107, 117, 118, 136 & 139.
- AASB 2009-6 regarding amendments to Australian Accounting Standards and Interpretations.
- AASB 2009-7 regarding amendments to AASB 5, 7, 107, 112, 136 & 139 and Interpretation 17
- Interpretation 1 on changes in existing decommissioning, restoration and similar liabilities.
- Interpretation 12 on service concession arrangements.
- Interpretation 15 on construction of real estate.
- Interpretation 16 on hedges of a net investment in a foreign operation.
- Interpretation 17 and AASB 2008-13 on distribution of non cash assets to owners.
- Interpretation 18 on transfers of assets from customers.

It is considered that the implementation of these standards will not have any material impact on the financial results of the State Property Authority.

(d) Income Recognition

(i) Property Rental Income

Rental income is recognised in accordance with AASB 117 "Leases". Rental income arising on investment properties, and other property assets, is accounted for on a straight-line basis over the lease term. Contingent rental income is recognised as income in the period in which it is earned.

(ii) Rendering of Services

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

(iii) Interest Income

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

(iv) Grants and Contributions

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

(v) Sale of Property, Plant and Equipment

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

(vi) Emerging Asset Increment

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



State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2009

(e) Employee Benefits and Other Provisions

(i) Salaries and Wages, Annual Leave, Sick Leave and On-Costs

Liabilities for salaries and wages (including non-monetary benefits), annual leave and paid sick leave are 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.

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

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

(ii) Long Service Leave

The cost of employee entitlements for long service leave is met by the payment of a contribution based on salaries and wages to the NSW Treasury. The payment is made to the "Non-Budget Sector Long Service Leave Pool Scheme" and leave taken is reimbursed from the Scheme.

Long service leave liability is measured on a shorthand basis to approximate present value in accordance with the requirements of AASB 119 "Employee Benefits". The shorthand methodology is based on remuneration rates at year-end for all employees with five or more years of service.

Prior to 2008-09, the present value of the long service leave liability was approximated as the unadjusted nominal value of the total long service leave obligation as at 30 June each year. From 2008-09, NSW Treasury Circular TC09/04 "Accounting for Long Service Leave and Annual Leave" mandates that all agencies who are members of the "Non-Budget Sector Long Service Leave Pool Scheme" must approximate present value based on the nominal long service leave value, the market yield on government bonds as at 30 June and valuation ratios provided by Treasury's actuary.

It is considered that this revised shorthand measurement technique provides for changes in economic conditions and produces results not materially different from the estimate determined by using the full present value basis of measurement. This change in approximating present value is a change in estimate in accordance with AASB 108 "Accounting Policies, Changes in Accounting Estimates and Errors" and is applied prospectively from 2008-09.

(iii) Superannuation

Defined Contribution Schemes:

The expense for defined contribution superannuation schemes (ie. Basic Benefit and First State Super) is calculated as a percentage of the employees' salary. All contributions to these schemes are expensed when incurred.

Defined Benefit Schemes:

For defined benefit superannuation schemes (ie. State Superannuation Scheme and the State Authorities Superannuation Scheme), the cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations carried out at each reporting date. Actuarial gains and losses are recognised directly in Equity in the period in which they occur and are presented in the Statement of Recognised Income and Expense (Note 1(w)).

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

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



State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2009

(iv) Other Provisions

Other provisions exist when the Authority has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Any provisions for restructuring are recognised only when an agency has a detailed formal plan and the agency has raised a valid expectation in those affected by the restructuring that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected.

(f) Insurance

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

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

(g) Goods and Services Tax (GST)

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

- (i) the amount of GST incurred by the Authority as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense.
- (ii) receivables and payables are stated with the amount of GST included.
- (iii) Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the Australian Taxation Office, are classified as operating cash flows.
- (iv) Commitments and other amounts disclosed in the financial statements include the amount of GST recoverable from, or payable to, the Australian Taxation Office.

(h) Acquisition of Property, Plant and Equipment

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

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

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

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

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



State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2009

(i) Revaluation of Property, Plant and Equipment

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

Physical non-current assets are valued in accordance with NSW Treasury Policy and Guidelines Paper 07-01 "Valuation of Physical Non-Current Assets at Fair Value". This policy adopts fair value in accordance with AASB 116 "Property, Plant and Equipment" and AASB 140 "Investment Property".

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

Fair value of property, plant and equipment is determined having regard to comparable market evidence or depreciated replacement cost approach. Fair value revaluations are made annually to ensure that the carrying amount does not differ materially from its fair value at reporting date.

Any revaluation increment is credited to the asset revaluation reserve included in the equity section of the balance sheet except to the extent that it reverses a revaluation decrease of the same class of assets previously recognised in the Income Statement, in which case the revaluation increment is recognised in the Income Statement.

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

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

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

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

(j) Impairment of Property, Plant and Equipment

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

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

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

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



State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2009

(k) Investment Properties

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

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

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

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

For a transfer from owner-occupied property to investment property, the Authority accounts for such property in accordance with the policy stated under Property, Plant and Equipment up to the date of change in use. For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the Income Statement. When the Authority completes construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the Income Statement.

(l) Assets Held For Sale

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

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

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

(i) Depreciation

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

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

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



State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2009

The expected useful lives of the Authority's items of property, plant and equipment as at 30 June are:

	2009	2008
	Years	Years
Buildings (Not Componentised)	11-40	11-40
Buildings (Componentised)		
Structure	5-40	n/a
Air Conditioning Units	2-20	n/a
Lifts	2-30	n/a
Computer Equipment and Software	3	3
Furniture and Fittings	10	10
Plant and Equipment and Office Equipment	5	5
Leasehold Improvements	6	6

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

In accordance with AASB 140 "Investment Property", investment properties are not depreciated and under AASB 5 "Non-current Assets Held for Sale and Discontinued Operations", any assets held for sale are not depreciated. Land is also not depreciated as land is not a depreciable asset.

(ii) Amortisation

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

(n) Capitalisation Thresholds

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

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

(o) Maintenance

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

(p) Intangible Assets

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

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

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

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



State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2009

(q) Leased Assets

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

(i) Finance Leases

Assets held under finance leases are recognised on inception at an amount equal to the fair value of the leased property, or if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease liability (Note 16(d)). Lease payments are allocated between the principal component of the lease liability and the interest expense.

(ii) Operating Leases

Operating lease payments are charged to the Income Statement on a straight-line basis over the lease term. Lease incentives are allocated over the period of the lease and recognised directly to the Income Statement as an integral part of the total lease expense (Note 14(a)).

Leases in which the Authority retains substantially all the risks and benefits of ownership of the leased asset as lessor, are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as rental income.

In accordance with AASB 140 "Investment Property", in the case of an onerous contract, the present obligation under the contract is recognised and measured as a provision.

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

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

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

Generally, tenants are expected to makegood the premises by undertaking a physical makegood or negotiating a financial settlement with the Authority.

(r) Other Assets

Other assets are recognised on a cost basis.

(s) Financial Instruments

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

(i) Cash and Cash Equivalents

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

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



State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2009

(ii) Loans and Receivables

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

Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial. Such receivables, which generally have 30-day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An allowance for doubtful debts is made when there is objective evidence that the Authority will not be able to collect the debts. Bad debts are written off when identified.

(iii) Payables

These amounts represent liabilities for goods and services provided to the Authority and other amounts. Payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

(t) Impairment of Financial Assets

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

(u) Financial Distributions

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

The nature and calculation of the required annual distributions is determined by NSW Treasury Policy and Guidelines Paper, TPP 02-3 "Financial Distributions Policy for Government Businesses". The distributions made by the Authority include normal distribution payments from cash operating surpluses and special distribution payments, or capital repatriations, from the sale of its own properties.

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

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



State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2009

(v) Equity Transfers

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

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

(w) Changes in Accounting Policy

In accordance with NSW Treasury mandates, the Authority has changed its policy on the recognition of superannuation actuarial gains and losses. Such actuarial gains and losses are now recognised directly in equity and are presented in the Statement of Recognised Income and Expense. Previously, actuarial gains and losses were recognised in the Income Statement through the operating result. Both options are permissible under AASB 119 "Employee Benefits".

The change in policy has been adopted on the basis that recognition outside of the operating result provides more reliable and relevant information and better reflects the nature of actuarial gains and losses. This is because actuarial gains and losses are re-measurements, based on assumptions that do not necessarily reflect the ultimate cost of providing superannuation.

The change in accounting policy increases the 2008-09 Operating Surplus from \$43.190 million to \$48.514 million (2007-08 from \$132.543m to \$134.157m) by excluding from the operating result the net superannuation actuarial loss of \$5.324 million (\$1.614m in 2007-08). The loss has been recognised directly in Equity and presented in the Statement of Recognised Income and Expense. In accordance with AASB 108 "Accounting Policies, Changes in Accounting Estimates and Errors", the 2007-08 comparatives have also been adjusted to reflect the change in policy.

2. REVENUE

	Consolidated Entity		Authority	
	2009	2008	2009	2008
(a) Property Rental Income	\$'000	\$'000	\$'000	\$'000
Owned Property	79,471	56,935	79,471	56,935
Owned Investment Property	1,865	1,764	1,865	1,764
Leased Property	104,000	100,965	104,000	100,965
	185,336	159,664	185,336	159,664

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

Receivable within one year	74,165	62,919	74,165	62,919
Receivable later than 1 year but not later than 5 years	77,255	74,222	77,255	74,222
Receivable later than 5 years	335,034	316,825	335,034	316,825
Total Including GST	486,454	453,966	486,454	453,966

The above represents future minimum lease receipts on the Authority's owned properties. Future minimum lease receipts as at 30 June 2009 are inclusive of GST, including GST payable of \$44.223 million (\$41.270 at 30 June 2008).



State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2009

(b) Fees for Services	Consolidated Entity		Authority	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Fees for Services Rendered	3,055	4,417	3,055	4,417
	3,055	4,417	3,055	4,417

(c) Grants and Contributions	Consolidated Entity		Authority	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
State Government - Recurrent Contribution (i)	5,910	5,631	5,910	5,631
State Government - Capital Contribution (ii)	17,447	74,685	17,447	74,685
	23,357	80,316	23,357	80,316

- (i) The Authority receives an annual recurrent contribution from the State Government for a range of non-commercial professional services undertaken which provide a whole-of-government benefit. These services include agency property portfolio reviews, whole-of-town studies, property policy implementation, pre-sale property disposal activities and coordination work on major capital project developments. A contribution is also received for any non-capitalised expenditure incurred on the Authority's Cyclic Property Refurbishment Program.
- (ii) The Authority's approved Capital Program is fully funded by the State Government by way an annual capital contribution. The Program includes major works such as the construction of Government Office Buildings and other asset renewal works included under the Authority's Cyclic Property Refurbishment Program.

(d) Interest	Consolidated Entity		Authority	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Total Interest Earned (i)	4,563	7,239	4,563	7,239
Less:				
Interest attributed to monies held on behalf of the Newcastle University and Newcastle City Council (Notes 5 & 11)	(233)	(321)	(233)	(321)
	4,330	6,918	4,330	6,918

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

(e) Emerging Asset Income	Consolidated Entity		Authority	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Emerging Asset Revenue (i)	2,200	1,850	2,200	1,850
	2,200	1,850	2,200	1,850

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



State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2009

3. EXPENSES EXCLUDING LOSSES	Consolidated Entity		Authority	
	2009	2008	2009	2008
(a) Employee Related Expenses	\$'000	\$'000	\$'000	\$'000
Salaries and Wages (Including Recreation Leave)	10,529	7,942	-	-
Superannuation (Defined Benefit Plans) (i)	170	(145)	-	-
Superannuation (Defined Contribution Plans)	444	338	-	-
Long Service Leave	242	351	-	-
Worker's Compensation Insurance	54	36	-	-
Payroll Tax and Fringe Benefits Tax	509	416	-	-
Personnel Services Expense (ii)	-	-	17,272	10,552
	11,948	8,938	17,272	10,552

- (i) Superannuation net actuarial losses of \$5.324 million (\$1.614m in 2007-08) in respect of defined benefit plans are recognised directly in Equity and presented in the Statement of Recognised Income and Expense (Note 1(w)). The total net superannuation expense in respect of the Office of the State Property Authority's defined benefits plans, including net actuarial losses, is \$5.494 million (\$1.469 million in 2007-08).
- (ii) The personnel services expense is the expense incurred by the State Property Authority (the Authority) on personnel services provided to it by the Office of the State Property Authority (the Office). The Office, which is controlled by the Authority, is a Division of the Government Service under Schedule 1 to the *Public Sector Employment and Management Act, 2002*. Its sole objective is to provide personnel services to the Authority which, under the *State Property Authority Act, 2006*, is unable to employ staff. Due to the nature of the expense, the Authority classifies the personnel services expense as Employee Related Expenses.

(b) Property Head Lease Expense	Consolidated Entity		Authority	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Minimum Lease Payments (i)	76,776	79,230	76,776	79,230
Rental Expenses Arising from Sub-Leases (ii)	14,977	13,610	14,977	13,610
Contingent Rentals (iii)	8,735	977	8,735	977
Finance Lease Asset Adjustment (iv)	-	(1,271)	-	(1,271)
	100,488	92,546	100,488	92,546
Less: Amortisation of Lease Free Incentives (v)	(1,408)	(1,408)	(1,408)	(1,408)
	99,080	91,138	99,080	91,138

- (i) The majority of head leased office accommodation properties are sub-leased to government agencies. The terms of the operating head leases generally range from 3 to 10 years with the option of renewal of further terms. The lease agreements allow Lessors the right to review rents on specified dates.
- (ii) The expenditure for recurrent outgoings (including repairs and maintenance, electricity, cleaning, expenses for common areas and public risk insurance), subject to exclusion of repairs and maintenance of a structural or capital nature, is the responsibility of the Authority as lessee.
- (iii) Contingent rentals are variations due to market reviews and changes to Consumer Price Index between the actual lease and the amounts of minimum lease payments determined at the inception of the lease.
- (iv) Following the transfer of the State Bank Building finance lease asset from the Crown Property Portfolio on 1 July 2007, a correction was made to the useful life of the asset resulting in a life-to-date rental reduction of \$1.271 million.
- (v) Minimum lease payments were reduced by the \$1.408 million (\$1.408 in 2007-08) amortisation of \$9.550 million in rent free lease incentives received during 2006-07 (Note 14(a)). No new lease incentives were received during 2008-09.



State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2009

(c) Other Property Related Expenses	Consolidated Entity		Authority	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Property Expenses (i)	18,593	14,087	18,593	14,087
Maintenance and Refurbishment	860	1,437	860	1,437
Management Fees	2,713	2,378	2,713	2,378
Bad Debts	(215)	396	(215)	396
	21,951	18,298	21,951	18,298

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

(d) Finance Costs	Consolidated Entity		Authority	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Finance Lease Interest Charges (Note 16(d))	4,015	3,453	4,015	3,453
Finance Charges - Adjustment to Present Value of Land Remediation Liability (Note 13(d))	9,589	(8,407)	9,589	(8,407)
	13,604	(4,954)	13,604	(4,954)

(e) Depreciation and Amortisation	Consolidated Entity		Authority	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Depreciation of Property, Plant and Equipment (Note 7)	16,163	8,567	16,163	8,567
Amortisation of Assets (Note 7 & 10)	5,820	5,698	5,820	5,698
	21,983	14,265	21,983	14,265

(f) Other Operating Expenses	Consolidated Entity		Authority	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Audit Fees (Audit of Financial Reports)	155	124	155	124
Legal Fees	42	28	42	28
Consultancy Fees	307	169	307	169
Office Accommodation Expenses	847	810	847	810
Corporate Service Fees	568	628	568	628
Other (i)	1,338	1,548	1,338	1,548
Bad Debts	35	(4)	35	(4)
	3,292	3,303	3,292	3,303

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



State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2009

(b) Reconciliation of Net Cash Provided by Operating Activities to Operating Result	Consolidated Entity		Authority	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Net Surplus for the Period	48,514	134,157	43,190	132,543
Non Cash Expenses/(Revenues):				
Emerging Asset Increment (Note 2(e))	(2,200)	(1,850)	(2,200)	(1,850)
Depreciation and Amortisation (Note 3(e))	21,983	14,265	21,983	14,265
Loss on Disposal of Non-Current Assets (Note 4(a))	-	(16,759)	-	(16,759)
Other Losses/(Gains) on Revaluation of Non-Current Assets (Notes 4(b) to 4(d))	(2,094)	4,779	(2,094)	4,779
Changes in Operating Assets and Liabilities:				
Decrease/(Increase) in Receivables	(1,716)	3,797	(1,328)	3,632
Increase/(Decrease) in Payables	11,991	(10,631)	17,139	(9,379)
Increase/(Decrease) in Provisions	7,663	(33,890)	7,451	(33,363)
Increase/(Decrease) in Other Operating Liabilities	(3,172)	(3,172)	(3,172)	(3,172)
Net Cash Flow From Operating Activities	80,969	90,696	80,969	90,696

6. RECEIVABLES	Consolidated Entity		Authority	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Current				
Trade Receivables:				
Property Rental	5,048	4,184	5,048	4,184
Fees for Services Rendered	1,293	2,018	1,293	2,018
Less: Impairment Allowance	(233)	(415)	(233)	(415)
	<u>6,108</u>	<u>5,787</u>	<u>6,108</u>	<u>5,787</u>
Other Receivables:				
Work in Progress - Fees for Services	3,526	896	3,526	896
Long Service Leave Reimbursable from the Crown Entity	2,802	2,304	-	-
Goods and Services Tax Recoverable	2,370	2,027	2,370	2,027
Makegood Cost Recoverable (Note 13(e))	3,339	2,408	3,339	2,408
Other	2,464	5,359	2,464	5,359
Total Current Receivables	20,609	18,781	17,807	16,477
Non-Current				
Prepaid Superannuation (Note 12)	-	110	-	-
Makegood Cost Recoverable (Note 13(e))	25,944	15,179	25,944	15,179
Total Non-Current Receivables	25,944	15,289	25,944	15,179

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

Movement in Impairment Allowance			
Consolidated Entity		Authority	
2009	2008	2009	2008
\$'000	\$'000	\$'000	\$'000
Balance at 1 July	415	48	48
Transfer from Crown Property Portfolio	-	152	-
Amount Written Off to Allowance	-	(176)	(176)
Increase/(Decrease) in Allowance	(182)	391	(182)
Balance at 30 June	233	415	233



State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2009

7. PROPERTY, PLANT AND EQUIPMENT	Consolidated Entity		Authority	
	2009	2008	2009	2008
(a) Carrying Amount at 30 June:	\$'000	\$'000	\$'000	\$'000
Current				
Vacant Land				
At Fair Value	75,000	-	75,000	-
Carrying Amount at 30 June	75,000	-	75,000	-
Total Current Property, Plant and Equipment at 30 June	75,000	-	75,000	-
Non-Current				
Land and Buildings				
At Fair Value	689,164	549,227	689,164	549,227
Carrying Amount at 30 June	689,164	549,227	689,164	549,227
Vacant Land				
At Fair Value	77,563	386,939	77,563	386,939
Carrying Amount at 30 June	77,563	386,939	77,563	386,939
Plant and Equipment				
At Cost	2,788	2,544	2,788	2,544
Less Accumulated Depreciation	(819)	(418)	(819)	(418)
Carrying Amount at 30 June	1,969	2,126	1,969	2,126
Finance Lease Assets				
At Fair Value	81,793	92,633	81,793	92,633
Carrying Amount at 30 June	81,793	92,633	81,793	92,633
Emerging Asset				
At Fair Value	5,750	9,400	5,750	9,400
Carrying Amount at 30 June	5,750	9,400	5,750	9,400
Works in Progress	3,912	44,884	3,912	44,884
Total Non-Current Property, Plant and Equipment at 30 June	860,151	1,085,209	860,151	1,085,209
Total at Cost or Fair Value	860,970	1,085,627	860,970	1,085,627
Total Accumulated Depreciation and Amortisation	(819)	(418)	(819)	(418)
Total Non-Current Property, Plant and Equipment at 30 June	860,151	1,085,209	860,151	1,085,209

State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2009

(b) Reconciliation of Opening and Closing Carrying Amounts	Consolidated Entity		Authority	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Land and Buildings (i)				
Carrying Amount at 1 July	549,227	-	549,227	-
Transfer from Crown Property Portfolio	-	396,023	-	396,023
Additions	10,107	5,561	10,107	5,561
Transfer from Works in Progress	53,701	134,160	53,701	134,160
Transfer from Vacant Land	7,460	-	7,460	-
Transfers from other Government Agencies (Note 15(a))	75,472	4,800	75,472	4,800
Transfer to Assets Held For Sale (Note 9)	(795)	-	(795)	-
Net Revaluation Increment Recognised in the Income Statement (Note 4(b))	5,031	-	5,031	-
Net Revaluation Increment (Note 15(b))	4,701	16,952	4,701	16,952
Depreciation Expense	(15,740)	(8,269)	(15,740)	(8,269)
Carrying Amount at 30 June	689,164	549,227	689,164	549,227
Reconciliation of Opening and Closing Carrying Amounts				
Vacant Land (ii)				
Carrying Amount at 1 July	386,939	187,830	386,939	187,830
Transfer from Crown Property Portfolio	-	58,892	-	58,892
Disposals	-	(758)	-	(758)
Transfer to Land and Buildings	(7,460)	-	(7,460)	-
Transfer to Investment Property (Note 8(b))	(17,250)	-	(17,250)	-
Transfers to other Government Agencies (Note 15(a))	(54,565)	(600)	(54,565)	(600)
Transfers from other Government Agencies (Note 15(a))	3,495	-	3,495	-
Net Revaluation Decrement Recognised in the Income Statement (Note 4(b))	-	(900)	-	(900)
Net Revaluation Increment (Note 15(b))	36,800	142,475	36,800	142,475
Net Revaluation Decrement - Impairment Loss (Notes 15(b) and 19(a))	(195,396)	-	(195,396)	-
Carrying Amount at 30 June	152,563	386,939	152,563	386,939
Vacant Land - Current (Note 19(a))	75,000	-	75,000	-
Vacant Land - Non-Current	77,563	386,939	77,563	386,939
Carrying Amount at 30 June	152,563	386,939	152,563	386,939
Reconciliation of Opening and Closing Carrying Amounts				
Plant and Equipment				
Carrying Amount at 1 July	2,126	118	2,126	118
Transfer from Crown Property Portfolio	-	20	-	20
Additions	266	2,292	266	2,292
Net Disposals	-	(6)	-	(6)
Depreciation Expense	(423)	(298)	(423)	(298)
Carrying Amount at 30 June	1,969	2,126	1,969	2,126



State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2009

Reconciliation of Opening and Closing Carrying Amounts	Consolidated Entity		Authority	
	2009	2008	2009	2008
Finance Lease Assets (iii)	\$'000	\$'000	\$'000	\$'000
Carrying Amount at 1 July	92,633	-	92,633	-
Transfer from Crown Property Portfolio	-	93,334	-	93,334
Net Revaluation Increment (Note 15(b))	-	4,979	-	4,979
Net Revaluation Decrement (Note 15(b))	(4,979)	-	(4,979)	-
Net Revaluation Decrement Recognised in the Income Statement (Note 4(d))	(139)	-	(139)	-
Amortisation Expense	(5,722)	(5,680)	(5,722)	(5,680)
Carrying Amount at 30 June	81,793	92,633	81,793	92,633

Reconciliation of Opening and Closing Carrying Amounts	Consolidated Entity		Authority	
	2009	2008	2009	2008
Emerging Assets	\$'000	\$'000	\$'000	\$'000
Carrying Amount at 1 July	9,400	-	9,400	-
Transfer from Crown Property Portfolio	-	10,308	-	10,308
Net Revaluation Decrement (Note 15(b))	(4,687)	-	(4,687)	-
Net Revaluation Decrement Recognised in the Income Statement (Note 4(b) and 8(b)(ii))	(1,163)	(2,758)	(1,163)	(2,758)
Emerging Asset Increment (Note 2 (e))	2,200	1,850	2,200	1,850
Carrying Amount at 30 June	5,750	9,400	5,750	9,400

Reconciliation of Opening and Closing Carrying Amounts	Consolidated Entity		Authority	
	2009	2008	2009	2008
Works in Progress - Land and Buildings (iv)	\$'000	\$'000	\$'000	\$'000
Opening Balance at 1 July	44,884	-	44,884	-
Transfer from Crown Property Portfolio	-	138,336	-	138,336
Additions	12,729	66,603	12,729	66,603
Transfer to Land and Buildings	(53,701)	(134,160)	(53,701)	(134,160)
Net Revaluation Decrement Recognised in the Income Statement (Note 4(b))	-	(8,943)	-	(8,943)
Net Revaluation Decrement (Note 15(b))	-	(16,952)	-	(16,952)
Closing Balance at 30 June	3,912	44,884	3,912	44,884

(i) Valuation of Land and Buildings

All land and buildings classified as Property Plant and Equipment were independently valued as at 30 June 2009.

In accordance with NSW Treasury Guidelines for Valuation of Physical Non-Current Assets at Fair Value and Australian Accounting Standards, valuation firms were engaged to provide full speaking valuations as at 30 June 2009. Independent qualified valuers, AssetVal Pty Ltd, MC2 Property Valuers, Duponts and Opteon Property Group, prepared a full speaking valuation for each property as at 30 June 2009.



State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2009

(ii) Valuation of Vacant Land

In June 2009, the Authority engaged independent qualified valuers, Knight Frank, Colliers International and DuPont, to value the former BHP main steel works site, Kooragang Islands Waste Emplacement site and various other parcels of land in the Newcastle area as at 30 June 2009. The valuations took into consideration changes to market and economic conditions that have occurred since 30 June 2008 as well as the previous full speaking valuation reports.

(iii) Finance Lease Assets

The finance lease assets as at 30 June 2009 relate to Noel Park House, Marius Street, Tamworth and a part of the Colonial State Bank building at 50 Martin Place, Sydney. Noel Park House is being amortised over the life of the lease and the Colonial State Bank building is being amortised over the estimated economic life of the building (Note 16(d)).

All finance lease assets were independently revalued on 30 June 2009. Independent qualified valuers, Knight Frank and Ernst & Young who have recent experience in comparable markets and category of the finance lease assets being valued, were engaged to perform the revaluation.

(iv) Works in Progress - Land and Buildings

Expenditure capitalised during the year and recorded under works in progress comprised of \$0.115 million on the construction of the Queanbeyan Government Service Centre (\$22.050m in 2007-08) and \$8.702 million on the construction of the Penrith Government Office Building (\$19.750m in 2007-08). Other minor works expenditure capitalised during the year and recorded under works in progress as at 30 June 2009 relates to refurbishment works in various office buildings totalling \$3.912 million (\$1.643m in 2007-08 which was transferred to Land and Buildings in 2008-09).

On completion of the construction of property the Queanbeyan Government Service Centre and Penrith Government Office Building, a total of \$52.058 million was transferred to Land and Buildings in 2008-09. This amount comprised of \$21.614 million for the Queanbeyan Government Service Centre and \$30.444 million for the Penrith Government Office Building.

(v) Disposals

There were no properties disposed of during 2008-09.

(vi) Heritage Assets

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

- GOB Bourke, 21 Mitchell Street, Bourke
- GOB Bourke, 51-53 Oxley Street, Bourke
- Chief Secretary's Building, 121 Macquarie Street, Sydney
- Education Building, 35-39 Bridge Street, Sydney
- GOB Mudgee, 90 Market Street, Mudgee
- GOB Forbes, 1-5 Camp Street, Forbes
- Heritage Office, 3 Marist Place, Parramatta
- Nundle Court House, Cnr Jenkins and Durban Streets, Nundle
- Strickland House, 52 Vaucluse Road, Vaucluse
- Agar Steps Terraces, 5-9 Agar Steps Kent Street, Millers Point
- Glover Cottage, 124 Kent Street, Millers Point
- Richmond Villa, 120 Kent Street, Millers Point
- National Trust Centre, Bradfield Highway, Millers Point
- Quarantine Depot, Off Balls Head Road, Waverton



State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2009

8. INVESTMENT PROPERTY	Consolidated Entity		Authority	
	2009	2008	2009	2008
(a) Carrying Amount at 30 June:	\$'000	\$'000	\$'000	\$'000
Investment Land at Fair Value	39,110	23,495	39,110	23,495
Investment Buildings at Fair Value	45	45	45	45
Carrying Amount at 30 June	39,155	23,540	39,155	23,540
(b) Reconciliation of Opening and Closing Carrying Amounts	Consolidated Entity		Authority	
Investment Property	2009	2008	2009	2008
Investment Property	\$'000	\$'000	\$'000	\$'000
Carrying Amount at 1 July	23,540	-	23,540	-
Transfer from Crown Property Portfolio	-	15,718	-	15,718
Transfer from Property, Plant and Equipment (Note 7(b))	17,250	-	17,250	-
Fair Value Increment on Revaluation	1,515	8,125	1,515	8,125
Fair Value Decrement on Revaluation	(3,150)	(303)	(3,150)	(303)
Carrying Amount at 30 June	39,155	23,540	39,155	23,540

(i) Valuation of Investment Property

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

All investment properties were independently revalued on 30 June 2009. Independent qualified valuers, Knight Frank, Ernst & Young and AssetVal Pty Ltd who have recent experience in comparable markets and category of the investment properties being valued, were engaged to perform the revaluation.

In accordance with NSW Treasury Guidelines for Valuation of Physical Non-Current Assets at Fair Value and Australian Accounting Standards, valuation firms were engaged to provide a full speaking valuation as at 30 June 2009.

(ii) Sydney Opera House Car Park

The Sydney Opera House Car Park was leased to a private consortium on a 50 year ground lease, which commenced on 13 March 1993. The lessee has constructed, at its own expense, a subterranean car park with a design life of 50 years. At the expiration of the lease term the Government has the right to receive the car park. Rental income from the lease of \$2.048 million (\$1.444m in 2007-08) is reflected in the Income Statement.

Independent qualified valuer, Knight Frank, was engaged to provide a fair value valuation of the lessor's interest in the freehold property subject to existing lease as prescribed under Treasury Accounting Policy TPP 06-8 "Accounting for Privately Financed Projects" as at 30 June 2009.

The value of the car park land of \$17.200 million at 30 June 2009 (\$20.350m at 30 June 2008) is recognised as Investment Property, and the emerging right to receive the car park at the expiration of the lease term of \$5.750 million at 30 June 2009 (\$9.400m at 30 June 2008) is recognised as Property, Plant and Equipment (Note 7). The emerging value is being allocated to revenue and Property, Plant and Equipment during the term of the lease as if it were the compound value of an annuity discounted at the NSW Government bond rate applicable at 13 March 1993, being 8.25%.

(iii) Transfer from Property, Plant and Equipment

Moriah College land has been leased on a long term lease. At 30 June 2008 the property was classified as Property, Plant and Equipment as it was considered to be strategically held for possible near future disposal. At 30 June 2009, the Authority no longer had any plans to dispose of the property. Accordingly, the property has been reclassified as Investment Property.



State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2009

9. ASSETS HELD FOR SALE	Consolidated Entity		Authority	
	2009	2008	2009	2008
(a) Carrying Amount at 30 June:	\$'000	\$'000	\$'000	\$'000
Land and Buildings				
At Fair Value	795	-	795	-
Carrying Amount at 30 June	795	-	795	-
(b) Reconciliation of Opening and Closing Carrying Amounts	Consolidated Entity		Authority	
	2009	2008	2009	2008
Assets Held for Sale	\$'000	\$'000	\$'000	\$'000
Carrying Amount at 1 July	-	-	-	-
Transfer from Crown Property Portfolio	-	23,750	-	23,750
Disposals	-	(23,750)	-	(23,750)
Transfer from Property, Plant and Equipment (Note 7)	795	-	795	-
Carrying Amount at 30 June	795	-	795	-
10. INTANGIBLES	Consolidated Entity		Authority	
	2009	2008	2009	2008
(a) Carrying Amount at 30 June:	\$'000	\$'000	\$'000	\$'000
Computer Software				
Gross Carrying Amount	606	292	606	292
Less Accumulated Amortisation and Impairment	(140)	(41)	(140)	(41)
Carrying Amount at 30 June	466	251	466	251
(b) Reconciliation of Opening and Closing Carrying Amounts	Consolidated Entity		Authority	
	2009	2008	2009	2008
Intangibles	\$'000	\$'000	\$'000	\$'000
Carrying Amount at 1 July	251	40	251	40
Additions/Acquisitions	313	229	313	229
Amortisation Expense	(98)	(18)	(98)	(18)
Carrying Amount at 30 June	466	251	466	251
11. PAYABLES	Consolidated Entity		Authority	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Current				
Sundry Creditors and Accruals	9,376	11,236	9,376	11,236
Land Remediation Expense Accrual	155	740	155	740
Goods and Services Tax Payable	1,619	1,843	1,619	1,843
Monies Held "On Trust":				
Newcastle Lands (i)	5,250	5,016	5,250	5,016
Agency Property Acquisitions (ii)	13,904	-	13,904	-
Payable to Crown Finance Entity	115	27	115	27
Payable to Subsidiary:				
Accrued Salaries, Wages and On-Costs	310	146	310	146
Personnel Services	-	-	1,147	1,007
Total Current Payables	30,729	19,008	31,876	20,015
Non-Current				
Payable to Subsidiary:				
Personnel Services	-	-	6,372	1,364
Total Non-Current Payables	-	-	6,372	1,364



State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2009

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

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

The monies will be distributed to Newcastle Council and the University of Newcastle in 2009-10 to perform heritage interpretation and display obligations in relation to the former BHP steel work sites and for those parties to accept transfer of heritage properties being subdivided from the land at Newcastle.

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

At 30 June 2009, these monies comprised cash received in advance from the Department of Ageing, Disability and Homecare (DADHC) for property acquisitions in progress, negotiations for which were being undertaken by the Authority under formal agreement with DADHC.

12. SUPERANNUATION

The superannuation schemes for employees of the Office of the State Property Authority include:

- (i) State Superannuation Scheme (SSS);
- (ii) State Authorities Superannuation Scheme (SASS);
- (iii) State Authorities Non-contributory Superannuation Scheme (SANCS)

These schemes are all defined benefit schemes - at least a component of the final benefit is derived from a multiple of member salary and years of membership.

All the schemes are closed to new members.

The closing superannuation position for the Office of the State Property Authority's defined benefit schemes as at 30 June 2008 is based on an actuarial assessment provided by the Fund's actuary, Mercer Human Resource Consulting.

Superannuation Position

Member Numbers	SASS No.	SANCS No.	SSS No.	
As at 30 June 2009				
Contributors	4	21	17	
Deferred Benefits	-	-	-	
Pensioners	-	-	3	
Pensions Fully Commuted	-	-	-	
	SASS	SANCS	SSS	Total
Superannuation Position for AASB 119 Purposes	\$'000	\$'000	\$'000	\$'000
As at 30 June 2009				
Accrued Liability	(1,257)	(961)	(15,695)	(17,913)
Estimated Reserve Account Balance	1,053	866	9,622	11,541
	(204)	(95)	(6,073)	(6,372)
Future Service Liability *	(383)	(371)	(1,227)	(1,981)
Surplus in Excess of Recovery Available from Schemes	-	-	-	-
Asset/(Liability) Recognised in the Balance Sheet	(204)	(95)	(6,073)	(6,372)



State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2009

Member Numbers	SASS No.	SANCS No.	SSS No.	
As at 30 June 2008				
Contributors	4	20	16	
Deferred Benefits	-	-	-	
Pensioners	-	-	-	
Pensions Fully Commuted	-	-	-	
	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Superannuation Position for AASB 119 Purposes				
As at 30 June 2008				
Accrued Liability	(1,125)	(803)	(11,512)	(13,440)
Estimated Reserve Account Balance	1,078	913	10,085	12,076
	(47)	110	(1,427)	(1,364)
Future Service Liability *	(329)	(301)	(881)	(1,511)
Surplus in Excess of Recovery Available from Schemes	-	-	-	-
Asset/(Liability) Recognised in the Balance Sheet	(47)	110	(1,427)	(1,364)

* The Future Service Liability (FSL) does not have to be recognised by the Office. It is only used to determine if an asset ceiling limit should be imposed (AASB 119, paragraph 58). Under AASB 119, any prepaid superannuation asset recognised cannot exceed the total of any unrecognised past service cost and the present value of any economic benefits that may be available in the form of refunds from the plan or reductions in future contributions to the plan. Where the "surplus in excess of recovery" is zero, no asset ceiling limit is imposed.

Reconciliation of the Present Value of the Defined Benefit Obligation

For the Year Ended 30 June 2009	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Present Value of Partly Funded Defined Benefit Obligations at 1 July	(1,125)	(803)	(11,512)	(13,440)
Current Service Cost	(46)	(42)	(142)	(230)
Interest Cost	(72)	(51)	(750)	(873)
Contributions by Fund Participants	(22)	-	(176)	(198)
Actuarial Gains/(Losses)	(23)	(72)	(3,777)	(3,872)
Benefits Paid	31	7	662	700
Past Service Cost	-	-	-	-
Curtailments	-	-	-	-
Settlements	-	-	-	-
Business Combinations	-	-	-	-
Exchange Rate Changes	-	-	-	-
Present Value of Partly Funded Defined Benefit Obligations at 30 June	(1,257)	(961)	(15,695)	(17,913)



State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2009

For the Year Ended 30 June 2008	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Present Value of Partly Funded Defined Benefit Obligations at 1 July	(1,174)	(796)	(10,246)	(12,216)
Current Service Cost	(43)	(43)	(125)	(211)
Interest Cost	(74)	(49)	(653)	(776)
Contributions by Fund Participants	(18)	-	(182)	(200)
Actuarial Gains/(Losses)	39	7	637	683
Benefits Paid	145	78	(943)	(720)
Past Service Cost	-	-	-	-
Curtailments	-	-	-	-
Settlements	-	-	-	-
Business Combinations	-	-	-	-
Exchange Rate Changes	-	-	-	-
Present Value of Partly Funded Defined Benefit Obligations at 30 June	(1,125)	(803)	(11,512)	(13,440)
<u>Reconciliation of the Fair Value of Fund Assets</u>				
For the Year Ended 30 June 2009	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Fair Value of Fund Assets at 1 July	1,078	913	10,085	12,076
Expected Return on Fund Assets	87	74	826	987
Actuarial Gains/(Losses)	(153)	(166)	(1,133)	(1,452)
Employer Contributions	50	52	330	432
Contributions by Fund Participants	22	-	176	198
Benefits Paid	(31)	(7)	(662)	(700)
Settlements	-	-	-	-
Business Combinations	-	-	-	-
Exchange Rate Changes	-	-	-	-
Fair Value of Fund Assets at 30 June	1,053	866	9,622	11,541
For the Year Ended 30 June 2008	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Fair Value of Fund Assets at 1 July	1,272	968	9,797	12,037
Expected Return on Fund Assets	96	74	748	918
Actuarial Gains/(Losses)	(213)	(132)	(1,952)	(2,297)
Employer Contributions	50	81	366	497
Contributions by Fund Participants	18	-	182	200
Benefits Paid	(145)	(78)	944	721
Settlements	-	-	-	-
Business Combinations	-	-	-	-
Exchange Rate Changes	-	-	-	-
Fair Value of Fund Assets at 30 June	1,078	913	10,085	12,076



State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2009

Reconciliation of the Assets and Liabilities Recognised in the Balance Sheet

For the Year Ended 30 June 2009	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Present Value of Partly Funded Defined Benefit Obligations at 30 June	(1,257)	(961)	(15,695)	(17,913)
Fair Value of Fund Assets at 30 June	1,053	866	9,622	11,541
Subtotal	(204)	(95)	(6,073)	(6,372)
Unrecognised Past Service Cost	-	-	-	-
Unrecognised Gain/(Loss)	-	-	-	-
Adjustment for Limitation on Net Asset	-	-	-	-
Net Asset/(Liability) Recognised in Balance Sheet at 30 June	(204)	(95)	(6,073)	(6,372)

For the Year Ended 30 June 2008	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Present Value of Partly Funded Defined Benefit Obligations at 30 June	(1,125)	(803)	(11,512)	(13,440)
Fair Value of Fund Assets at 30 June	1,078	913	10,085	12,076
Subtotal	(47)	110	(1,427)	(1,364)
Unrecognised Past Service Cost	-	-	-	-
Unrecognised Gain/(Loss)	-	-	-	-
Adjustment for Limitation on Net Asset	-	-	-	-
Net Asset/(Liability) Recognised in Balance Sheet at 30 June	(47)	110	(1,427)	(1,364)

Expense Recognised in the Income Statement

For the Year Ended 30 June 2009	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Current Service Cost	(46)	(42)	(142)	(230)
Interest Cost	(72)	(51)	(750)	(873)
Expected Return on Fund Assets (Net of Expenses)	87	74	826	987
Past Service Cost	-	-	-	-
Curtailement or Settlement Gain/(Loss)	-	-	-	-
Income/(Expense) Recognised in Income Statement	(31)	(19)	(66)	(116)

For the Year Ended 30 June 2008	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Current Service Cost	(43)	(43)	(125)	(211)
Interest Cost	(74)	(49)	(653)	(776)
Expected Return on Fund Assets (Net of Expenses)	96	74	748	918
Past Service Cost	-	-	-	-
Curtailement or Settlement Gain/(Loss)	-	-	-	-
Income/(Expense) Recognised in Income Statement	(21)	(18)	(30)	(69)



State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2009

Amounts Recognised in the Statement of Recognised Income and Expense

For the Year Ended 30 June 2009	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Actuarial Gains/(Losses)	(176)	(238)	(4,910)	(5,324)
Adjustment for Limitation on Net Asset	-	-	-	-
Income/(Expense) Recognised in Statement of Recognised Income and Expense	(176)	(238)	(4,910)	(5,324)

For the Year Ended 30 June 2008	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Actuarial Gains/(Losses)	(174)	(125)	(1,315)	(1,614)
Adjustment for Limitation on Net Asset	-	-	-	-
Income/(Expense) Recognised in Statement of Recognised Income and Expense	(174)	(125)	(1,315)	(1,614)

Cumulative Amount Recognised in the Statement of Recognised Income and Expense

The cumulative amount of actuarial gains and losses recognised in the Statement of Recognised Income and Expense since the Office commenced operations on 1 September 2006 is \$5.412 million.

Fund Assets

The percentage invested in each asset class as at 30 June:

As at 30 June:	2009 %pa	2008 %pa
Australian Equities	32.1	31.6
Overseas Equities	26.0	25.4
Australian Fixed Interest Securities	6.2	7.4
Overseas Fixed Interest Securities	4.7	7.5
Property	10.0	11.0
Cash	8.0	6.1
Other	13.0	11.0

Fair Value of Fund Assets

All Fund assets are invested by STC at arm's length through independent fund managers.

Expected Rate of Return on Assets

The expected return on assets assumption is determined by weighting the expected long-term return for each asset class by the target allocation of assets to each class. The returns used for each class are net of investment tax and investment fees.

Actual Return on Fund Assets

For the Year Ended 30 June 2009	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Actual Return on Fund Assets	(106)	(92)	(990)	(1,188)

For the Year Ended 30 June 2008	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Actual Return on Fund Assets	(86)	(58)	(769)	(913)



State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2009

Valuation Method and Principal Actuarial Assumptions at Balance Date

(a) Valuation Method

The Projected Unit Credit (PUC) valuation method was used to determine the present value of the defined benefit obligations and the related current service costs. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

(b) Economic Assumptions

As at 30 June:	2009 %pa	2008 %pa
Salary Increase Rate (Excluding Promotional Increases)	3.5	3.5
Rate of CPI Increase	2.5	2.5
Expected Return on Assets Backing Current Pension Liabilities	8.1	8.3
Expected Return on Assets Backing Other Liabilities	8.1	7.3
Discount Rate	5.6	6.6

(c) Demographic Assumptions

The demographic assumptions at 30 June 2009 are those that will be used in the 2009 triennial actuarial valuation. The triennial review report will be available from the NSW Treasury website, after it is tabled in Parliament in December 2009.

Historical Information

For the Year Ended 30 June 2009	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Present value of Defined Benefit Obligation	(1,257)	(961)	(15,695)	(17,913)
Fair Value of Fund Assets	1,053	866	9,622	11,541
Surplus/(Deficit) in Fund	(204)	(95)	(6,073)	(6,372)
Experience Adjustments - Fund Liabilities	(23)	(72)	(3,777)	(3,872)
Experience Adjustments - Fund Assets	(153)	(166)	(1,133)	(1,452)

For the Year Ended 30 June 2008	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Present value of Defined Benefit Obligation	(1,125)	(803)	(11,512)	(13,440)
Fair Value of Fund Assets	1,078	913	10,085	12,076
Surplus/(Deficit) in Fund	(47)	110	(1,427)	(1,364)
Experience Adjustments - Fund Liabilities	39	7	637	683
Experience Adjustments - Fund Assets	(213)	(132)	(1,952)	(2,297)

Expected Employer Contributions

For 2009-10	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Expected Employer Contributions	41	48	282	371

For 2008-09	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Expected Employer Contributions	59	38	283	380



State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2009

Funding Arrangements for Employer Contributions

(a) Surplus/(Deficit)

The following is a summary of the financial position of the Fund calculated in accordance with AAS25 "Financial Reporting by Superannuation Plans":

As at 30 June 2009	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Accrued Benefits	(1,173)	(884)	(11,022)	(13,079)
Net Market Value of Fund Assets	1,053	866	9,622	11,541
Net Surplus/(Deficit)	(120)	(18)	(1,400)	(1,538)

As at 30 June 2008	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Accrued Benefits	(1,125)	(807)	(10,700)	(12,632)
Net Market Value of Fund Assets	1,078	913	10,085	12,076
Net Surplus/(Deficit)	(47)	106	(615)	(556)

(b) Contribution Recommendations

Recommended contribution rates for the Authority are:

Fund	Contribution Basis	2009 Rate	2008 Rate
SSS	Multiple of Member Contributions	1.6	1.6
SANCS	Percentage of Member Salary	2.5%	2.5%
SASS	Multiple of Member Contributions	1.9	1.9

(c) Funding Method

The method used to determine the employer contribution recommendations at the last actuarial review was the Aggregate Funding method. The method adopted affects the timing of the cost to the employer.

Under the Aggregate Funding method, the employer contribution rate is determined so that sufficient assets will be available to meet benefit payments to existing members, taking into account the current value of assets and future contributions.

(d) Economic Assumptions

The economic assumptions adopted for the last actuarial review of the Fund were:

Weighted Average Assumptions	2009 %pa	2008 %pa
Expected Return on Fund Assets Backing Current Pension Liabilities	8.3	7.7
Expected Return on Fund Assets Backing Other Liabilities	7.3	7.0
Expected Rate of Salary Increase	4.0	4.0
Expected Rate of CPI Increase	2.5	2.5

Nature of Asset/Liability

If a surplus exists in the employer's interest in the Fund, the employer may be able to take advantage of it in the form of a reduction in the required contribution rate, depending on the advice of the Fund's actuary.

Where a deficiency exists, the employer is responsible for any difference between the employer's share of fund assets and the defined benefit obligation.



State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2009

13. PROVISIONS	Consolidated Entity		Authority	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Current				
Annual Leave (a)	839	790	-	-
Long Service Leave (b)	3,110	2,521	-	-
Land Remediation (d)	20,743	1,137	20,743	1,137
Makegood Restoration (e)	3,339	2,408	3,339	2,408
Legal Settlement (f)	144	-	144	-
Total Current Provisions	28,175	6,856	24,226	3,545
Non-Current				
Superannuation (Note 12)	6,372	1,474	-	-
Land Remediation (d)	76,352	82,765	76,352	82,765
Makegood Restoration (e)	25,944	15,179	25,944	15,179
Total Non-Current Provisions	108,668	99,418	102,296	97,944

(a) Annual Leave	Consolidated Entity		Authority	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
An estimated dissection of the short and long term liability is:				
Short Term - expected to be settled within 12 months	519	459	-	-
Long Term - not expected to be settled within 12 months	320	331	-	-
Total Provision for Annual Leave	839	790	-	-

The amount of annual leave disclosed under "Current" above is increased by on-costs in the determination of the total provision. The provision combines amounts expected to be settled within twelve months (short term) and greater than twelve months (long term) after the reporting date.

(b) Long Service Leave	Consolidated Entity		Authority	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
An estimated dissection of the short and long term liability is:				
Short Term - expected to be settled within 12 months	300	252	-	-
Long Term - not expected to be settled within 12 months	2,810	2,269	-	-
Total Provision for Long Service Leave	3,110	2,521	-	-

The amount of long service leave and associated on-costs disclosed under "Current" above combines amounts expected to be settled within twelve months (short term) and greater than twelve months (long term) after the reporting date.

(c) Aggregate Employee Benefits and Related Costs	Consolidated Entity		Authority	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Provisions - Current	3,949	3,311	-	-
Provisions - Non-Current	6,372	1,474	-	-
Accrued Salaries, Wages and On-Costs (Note 11)	310	146	310	146
Aggregate Employee Benefits and Related Costs	10,631	4,931	310	146

The aggregate employee benefit liability disclosed includes liabilities from providing employee benefits and liabilities relating to payroll tax and other similar on-costs.



State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2009

(d) Land Remediation	Consolidated Entity		Authority	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Carrying Amount at 1 July	83,902	113,480	83,902	113,480
Decrease in Provision from Payments	(1,312)	(21,173)	(1,312)	(21,173)
Increase in Provision from Receipts	-	2	-	2
Increase/(Decrease) in Provision from Revised Present Value of Liability	9,589	(8,407)	9,589	(8,407)
Increase in Provision from Acquisition of Contaminated Land (ii)	1,796	-	1,796	-
Increase in Provision from Transfers from Other Government Agencies (ii), (Note 15(a))	3,120	-	3,120	-
Carrying Amount at 30 June	97,095	83,902	97,095	83,902
Current Liability	20,743	1,137	20,743	1,137
Non-Current Liability	76,352	82,765	76,352	82,765
Total Liability at 30 June	97,095	83,902	97,095	83,902

(i) Remediation Liability on Newcastle Landholdings

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

At the time the purchase was being negotiated, the Government sought advice on the estimated remediation costs for the main steel site and the Kooragang Island waste emplacement site. In providing this assessment, a number of assumptions as to the nature of future development and the method of remediating the sites were made.

BHP Billiton Ltd agreed to pay \$108.987 million, including \$5.000 million for Heritage Interpretation Funding Proposal which was received by the Crown "on trust", based on the total negotiated estimated costs of remediation and other works as shown in the Environmental Deed dated 31 July 2002 between BHP Billiton Ltd and the Crown (Note 11(i)).

On 1 February 2007, all of the above sites were transferred to the State Property Authority from the Crown Property Portfolio under the provisions of the *State Property Authority Act, 2006*. The cash to fund the remediation works required, together with the "on trust" funds (Note 5(a)(i)) and the provision for the estimated cost of remediation works remaining were transferred at the same time.

On 1 February 2008, the Hunter Development Corporation (HDC) took over the Government's responsibility for the management of the required remediation works from the former Regional Land Management Corporation. In June 2009, the HDC provided the Authority with a revised present value estimate of the remaining remediation works. The revised estimate resulted in an increase in the Land Remediation Provision of \$9.589 million which has been reflected in the Income Statement against Finance Costs (Note 3(d)).

Calculation of the estimate is based on current technical studies and analysis taking into account current and future contract costs, referable to awarded contracts where available. Where necessary, costs are indexed and discounted using general construction industry data available.



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Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2009

(ii) Remediation Liability on Hunter's Hill Landholdings

On 29 June 2009 the Authority acquired land at lots 7, 9 and 11 Nelson Parade Hunter's Hill. Each of these lots are situated on a former uranium smelter site and, as part of the land transfers, the NSW Government has given the Authority the responsibility to remediate the contaminated land.

The Authority has estimated and recognised a total remediation liability as at 30 June 2009 of \$4.916 million for all three lots. This estimate has been determined using cost estimates provided by GHD Australia Pty Ltd at the time of transfer. Remediation work is due to commence in 2009-10 and is expected to be completed in 2010-11.

(e) **Makegood Restoration**

	Consolidated Entity		Authority	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Carrying Amount at 1 July	17,587	-	17,587	-
Transfer from Crown Property Portfolio	-	18,444	-	18,444
Increase/(Decrease) in Provision from Revised Present Value of Liability	11,696	(624)	11,696	(624)
Reduction in Provision from Payments	-	(233)	-	(233)
Carrying Amount at 30 June	29,283	17,587	29,283	17,587
Current Liability	3,339	2,408	3,339	2,408
Non-Current Liability	25,944	15,179	25,944	15,179
Total Liability at 30 June	29,283	17,587	29,283	17,587

The makegood restoration liability is calculated on all leased properties, where the Authority is the lessee and reflects an estimate of the cost to makegood the premises to their original condition at the end of the lease term. The makegood costs are recoverable in full from the sub-lessees. A discount rate of 5.52% was used and the level of the provision is reviewed at the end of each year and an adjustment made to Receivables.

(f) **Legal Settlement**

	Consolidated Entity		Authority	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Carrying Amount at 1 July	-	-	-	-
Creation of Provision	144	-	144	-
Carrying Amount at 30 June	144	-	144	-
Current Liability	144	-	144	-
Non-Current Liability	-	-	-	-
Total Liability at 30 June	144	-	144	-

The legal settlement provision is recognised due to a judgement being delivered on 28 July 2006 in relation to the McKell Building Break Benefits Litigation proceedings. The proceedings arose from certain changes to the structured finance arrangements put in place in 1991 when Rawson Place Pty Ltd acquired the McKell Building from the NSW Crown. On 28 July 2006, the NSW Crown was ordered to pay the costs of defendants, including State Bank of NSW (now Commonwealth Bank of Australia).

On 27 March 2009, the State Property Authority received the defendant's Bill of Costs and on 3 June 2009, offered to pay an amount of \$0.144 million in full settlement (Note 17(b)(ii)).



State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2009

15. CHANGES IN EQUITY	Consolidated Entity		Authority	
	2009	2008	2009	2008
(a) Retained Earnings	\$'000	\$'000	\$'000	\$'000
Balance at 1 July	712,320	129,927	712,320	129,927
Changes in Equity - Transactions with Owners as Owners				
- Financial Distributions (i)	(39,035)	(73,755)	(39,035)	(73,755)
- Transfer of Net Assets from the Crown Property Portfolio	-	519,208	-	519,208
- Transfer of Property, Plant and Equipment to other Government Agencies (Note 7(b))	(54,565)	(600)	(54,565)	(600)
- Transfer of Property, Plant and Equipment from other Government Agencies (Note 7(b))	78,967	4,800	78,967	4,800
- Transfer of Land Remediation Provision from other Government Agencies (Note 13(d))	(3,120)	-	(3,120)	-
Sub-Total	(17,753)	449,653	(17,753)	449,653
Changes in Equity - Other than Transactions with Owners as Owners				
- Net Surplus for the Year	48,514	134,157	43,190	132,543
- Superannuation Actuarial Gains/(Losses) (Note 12)	(5,324)	(1,614)	-	-
Sub-Total	43,190	132,543	43,190	132,543
Transfers within Equity				
- Net Transfers from Asset Revaluation Reserve on Disposal of Property, Plant and Equipment (Note 15(b))	-	197	-	197
- Net Transfers from Asset Revaluation Reserve on Transfer of Property, Plant and Equipment to other Government Agencies (Note 7(b))	23,810	-	23,810	-
- Net Transfers from Asset Revaluation Reserve on Transfer of Property, Plant and Equipment to Assets Held For Sale (Note 9(b)).	15	-	15	-
Sub-Total	23,825	197	23,825	197
Total Retained Earnings at 30 June	761,582	712,320	761,582	712,320
(i) Financial Distributions Comprise:				
- Normal Distributions from Surplus on Rental Operations Paid to the State Government (Note 1(u))	(39,035)	(32,488)	(39,035)	(32,488)
- Capital Repatriations from the Net Proceeds of Asset Sales Paid to the State Government (Note 1(u))	-	(41,267)	-	(41,267)
	(39,035)	(73,755)	(39,035)	(73,755)



State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2009

(b) Asset Revaluation Reserve	Consolidated Entity		Authority	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Balance at 1 July	199,367	52,110	199,367	52,110
Changes in Equity - Other than Transactions with Owners as Owners				
- Net Increment on Revaluation (Note 7(b))	31,835	147,454	31,835	147,454
- Net Revaluation Decrement - Impairment Losses (Note 7(b) and 19(a))	(195,396)	-	(195,396)	-
Sub-Total	(163,561)	147,454	(163,561)	147,454
Transfers within Equity				
- Net Transfers to Retained Earnings on Disposal of Property, Plant and Equipment (Note 15(a))	-	(197)	-	(197)
- Net Transfers to Retained Earnings on Transfer of Property, Plant and Equipment to Other Government Agencies (Note 7(b))	(23,810)	-	(23,810)	-
- Net Transfers to Retained Earnings on Transfer of Property, Plant and Equipment to Assets Held For Sale (Note 9)	(15)	-	(15)	-
Sub-Total	(23,825)	(197)	(23,825)	(197)
Total Asset Revaluation Reserve at 30 June	11,981	199,367	11,981	199,367
The Total Asset Revaluation Reserve is attributable to the following classes of non-current assets:				
Vacant Land	11,981	194,388	11,981	194,388
Finance Leased Assets	-	4,979	-	4,979
Total Asset Revaluation Reserve at 30 June	11,981	199,367	11,981	199,367

The total asset revaluation reserve is used to record increments and decrements on the revaluation of non-current property plant and equipment and finance leases. This accords with the Authority's policy on the Revaluation of Property, Plant and Equipment (Note 1(i)). All movements are recorded directly through the Balance Sheet and not through the Income Statement. No dividends can be distributed from the Asset Revaluation Reserve.

16. EXPENDITURE COMMITMENTS	Consolidated Entity		Authority	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
(a) Capital Expenditure Commitments				
Capital expenditure contracted at balance date but not provided for:				
Payable within one year	1,855	14,985	1,855	14,985
Payable later than one year but not later than five years	-	-	-	-
Payable later than five years	-	-	-	-
Total Expenditure Commitments (Incl GST)	1,855	14,985	1,855	14,985

Capital expenditure commitments as at 30 June 2009 include GST recoverable input tax credits of \$0.169 million (\$1.362m at 30 June 2008) that are expected to be recoverable from the Australian Taxation Office. Total commitments relate to the refurbishment works in various owned buildings totalling \$1.855 million (\$1.785m at 30 June 2008). At 30 June 2008 total commitments also included \$13.200 million for the construction of new government office buildings.



State Property Authority

Notes to and Forming Part of the Financial Statements

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(b) Future Minimum Lease Payments under Non-Cancellable Operating Leases as Lessee	Consolidated Entity		Authority	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000

Head lease future minimum lease payments contracted at balance date but not provided for:

Payable within one year	79,324	75,115	79,324	75,115
Payable later than one year but not later than five years	181,087	209,119	181,087	209,119
Payable later than five years	8,090	22,432	8,090	22,432
Total Expenditure Commitments (Incl GST)	268,501	306,666	268,501	306,666

All future minimum lease payments will be recouped by the Authority under sub-leases. Future minimum lease payments and receipts as at 30 June 2009 include GST recoverable input tax credits of \$24.409 million (\$27.879m at 30 June 2008) and GST payable of \$24.409 million (\$27.879m at 30 June 2008).

(c) Other Operating Expenditure Commitments	Consolidated Entity		Authority	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000

Operating expenditure contracted at balance date but not provided for:

Payable within one year	2,541	2,484	2,541	2,484
Payable later than one year but not later than five years	-	2,541	-	2,541
Payable later than five years	-	-	-	-
Total Expenditure Commitments (Incl GST)	2,541	5,025	2,541	5,025

Operating expenditure commitments as at 30 June 2009 include GST recoverable input tax credits of \$0.231 million (\$0.457m at 30 June 2008) that are expected to be recoverable from the Australian Taxation Office. Total commitments at 30 June 2009 relate to outsourced property service provider costs to 30 June 2010 as per contract and motor vehicle costs until 15 April 2010 as per lease agreement.

(d) Finance Lease Liabilities	Consolidated Entity		Authority	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Current				
Minimum Lease Payments	6,003	6,004	6,003	6,004
Less Finance Costs	(3,857)	(4,015)	(3,857)	(4,015)
Total Current Liability at 30 June	2,146	1,989	2,146	1,989
Non-Current				
Minimum Lease Payments	82,197	88,200	82,197	88,200
Less Finance Costs	(31,767)	(35,624)	(31,767)	(35,624)
Total Non-Current Liability at 30 June	50,430	52,576	50,430	52,576
Total Finance Lease Liability at 30 June	52,576	54,565	52,576	54,565



State Property Authority

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Aged Reconciliation of Total Finance Lease Liabilities	Consolidated Entity		Authority	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Minimum Lease Payments:				
Payable within one year	6,003	6,004	6,003	6,004
Payable later than one year but not later than five years	24,014	24,014	24,014	24,014
Payable later than five years	58,183	64,186	58,183	64,186
Total Minimum Lease Payment Commitment	88,200	94,204	88,200	94,204
Finance Costs:				
Payable within one year	(3,857)	(4,015)	(3,857)	(4,015)
Payable later than one year but not later than five years	(13,588)	(14,354)	(13,588)	(14,354)
Payable later than five years	(18,179)	(21,270)	(18,179)	(21,270)
Total Finance Costs Commitment	(35,624)	(39,639)	(35,624)	(39,639)
Total Finance Lease Liability:				
Payable within one year	2,146	1,989	2,146	1,989
Payable later than one year but not later than five years	10,426	9,660	10,426	9,660
Payable later than five years	40,004	42,916	40,004	42,916
Total Finance Lease Liability at 30 June	52,576	54,565	52,576	54,565

The Authority's Finance Lease Liabilities comprise leases on Noel Park House, Tamworth and on part of the Colonial State Bank Building, Sydney. The Noel Park House lease has a lease term of 25 years with no option to purchase the asset at the completion of the lease term in 2017. The discount rate implicit in the lease is 8.31% pa. The Colonial State Bank lease liability is being amortised over the estimated economic life of the building, which is 40 years and ends in 2026. The discount rate implicit in the lease is 7.64% pa.

17. CONTINGENT ASSETS AND LIABILITIES

(a) Contingent Assets

There are no known material contingent assets as at the reporting date.

(b) Contingent Liabilities

	Consolidated Entity		Authority	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Litigation - (i), (ii)	4,096	350	4,096	350
Total Contingent Liabilities at 30 June	4,096	350	4,096	350

(i) Litigation - Moriah College

A contingent liability of \$3.880 million (Nil at 30 June 2008) is disclosed in relation to the litigation proceedings brought by the Trustees of the Moriah College Building Fund. The proceedings relate to the April 2004 rental review on the Moriah College, which as per the lease agreement, was determined by the Valuer General. The claimant claims the determination was invalid but has paid the revised rental on a "without prejudice" basis. If the claimant is successful, the State Property Authority will be required to re-imburse any increased rental paid.

(ii) Litigation - McKell Building

On 28 July 2006, the NSW Crown was ordered to pay the costs of defendants, including State Bank of NSW (now Commonwealth Bank of Australia), in relation to the McKell Building Break Benefits Litigation proceedings. The proceedings arose from certain changes to the structured finance arrangements put in place in 1991 when Rawson Place Pty Ltd acquired the McKell Building from the NSW Crown. On 27 March 2009, the State Property Authority received the defendant's Bill of Costs for \$0.360 million and on 3 June 2009 offered to pay an amount of \$0.144 million in full settlement. At 30 June 2009, the \$0.144 million has been recognised as a current provision (Note 13(f)), and the balance of \$0.216 million has been disclosed as a contingent liability (\$0.350m at 30 June 2008).



State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2009

18. FINANCIAL INSTRUMENTS

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

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

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 and plans are established to identify and analyse the risks faced by the Authority, to set risk limits and controls and to monitor risks. Risk management reporting and compliance with policies is reviewed by the Authority's Audit and Risk Management Committee on a regular basis.

(a) Financial Instrument Categories

			Consolidated Entity	
			2009	2008
			\$'000	\$'000
Financial Assets - Carrying Amounts				
<u>Class</u>	<u>Category</u>	<u>Notes</u>		
Cash and Cash Equivalents	n/a	1(s)(i), 5	140,583	120,628
Receivables	Loans and Receivables (at Amortised Cost)	1(s)(ii), 6	44,183	32,043
Financial Liabilities - Carrying Amounts				
<u>Class</u>		<u>Notes</u>		
Payables	Financial Liabilities (at Amortised Cost)	1(s)(iii), 11	29,110	17,166
Finance Leases	Financial Liabilities (at Amortised Cost)	1(q)(i), 16(d)	52,576	54,565

(b) Credit Risk

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

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

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

(i) Cash

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



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(ii) Receivables - Trade Debtors

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

The Authority is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Based on past experience, current debtors totalling \$2.779 million (\$2.442m at 30 June 2008) are not considered impaired and these represent 43.8% (42.2% at 30 June 2008) of the total trade debtors. Most of the Authority's debtors have an AAA credit rating. There are no debtors which are currently not past due or impaired whose terms have been renegotiated.

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

Credit Risk - 2009	Overdue				Total 2009 \$'000
	<1 Mth \$'000	>1 <2 Mths \$'000	>2 <3 Mths \$'000	>3 Mths \$'000	
Financial Assets					
Receivables:					
Past Due But Not Impaired	159	285	332	2,553	3,329
Considered Impaired	-	-	-	233	233
Total Credit Risk	159	285	332	2,786	3,562
Credit Risk - 2008	Overdue				Total
	<1 Mth	>1 <2 Mths	>2 <3 Mths	>3 Mths	2008
Financial Assets	\$'000	\$'000	\$'000	\$'000	\$'000
Receivables:					
Past Due But Not Impaired	1,606	383	397	959	3,345
Considered Impaired	-	64	61	290	415
Total Credit Risk	1,606	447	458	1,249	3,760

(c) Liquidity Risk

Liquidity risk is the risk that the Authority will be unable to meet its payment obligations when they fall due. The Authority continuously manages risk through monitoring future cash flows planning to ensure adequate holding of available cash.

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

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in Treasurer's Direction 219.01. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. Treasurer's Direction 219.01 allows the Minister to award interest for late payment. The Minister did not award any interest for late payments during 2009 and 2008.

The Authority's financial liabilities, as listed at (a) above, are all non-interest bearing and are all payable within 12 months (Note 11). Payable items which are out of the scope of AASB 132 "Financial Instruments: Presentation" have been excluded from the carrying amount shown in the Balance Sheet. These items are GST payable and revenue in advance.



State Property Authority

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For the Year Ended 30 June 2009

(d) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Authority's exposure to market risk is primarily through interest rate risk on the Authority's BHP Remediation interest earning bank balance held within the NSW Treasury Banking System. The Authority has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on profit and equity due to a reasonably possible change in risk variable is outlined below under interest rate risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the Authority operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the balance sheet date. The analysis is performed on the same basis for 2008. The analysis assumes that all other variables remain constant.

(i) Interest Rate Risk

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

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

Interest Rate Risk - 2008	Carrying Amount \$'000	-1%		+1%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Financial Assets					
Cash and Cash Equivalents	120,628	(1,019)	(1,019)	1,019	1,019

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

(e) Fair Value

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



State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2009

19. EVENTS AFTER BALANCE SHEET DATE

(a) Adjusting Events

(i) Transfer of Land to Newcastle Ports Corporation

In July 2007, the State Government approved for negotiations to occur between the Authority and the Newcastle Ports Corporation (NPC) in relation to the transfer of various parcels of the Authority's Newcastle land holdings. The book value of these lands as at 30 June 2009 was \$270.4 million. On 30 June 2009, the Treasurer approved the transfer of these lands to the NPC for a total consideration of \$75 million. A contract formalising the above sale was signed by the Authority and the NPC on 23 July 2009.

In light of this post balance date event, it has been necessary for the Authority to recognise an impairment loss of \$195.4 million at 30 June 2009 in order to reflect the book value of the land to be transferred at its known recoverable amount of \$75 million. In accordance with the provisions of AASB 136 "Impairment of Assets", the impairment loss has been treated as a revaluation decrement and, per paragraph 61.1, has been offset against amounts existing within the Asset Revaluation Reserve for the Authority's vacant land asset class (Note 15(b)).

On 30 June 2009, in addition to the transfer approval, the Treasurer executed a Deed of Indemnity on behalf of the Crown which indemnified the NPC from liability for any contamination on the land transferred to them. The sale contract between the Authority and the NPC also indemnified the NPC from any remediation liability. Consequently, no adjustment has been made to the provision for remediation recognised in the Authority's Balance Sheet for the remediation works remaining on these lands.

Aside from the above, there are no other known after balance date events which would give rise to a material impact on the reported results or financial position of the Authority as at 30 June 2009.

(b) Non-Adjusting Events

(i) Transfer of Land to Hunter Development Corporation

In July 2007, the State Government approved for negotiations to occur between the Authority and the Hunter Development Corporation (HDC) in relation to the transfer of various parcels of the Authority's Newcastle lands. Arrangements for these transfers progressed in 2008-09 with a significant portion of the land transferred on 1 February 2009 (Note 7 (b) and 15(a)).

Land to be transferred to the HDC which remained in the Authority's books as at 30 June 2009 was valued at \$41.7 million. It is expected that that this land will be transferred in 2009-10 as an equity adjustment resulting in a reduction to the Authority's Property, Plant and Equipment and Equity of an equivalent amount.



State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2009

(ii) Property Vesting

On 1 July 2009, pursuant to Premier's Memorandum M2008-06 "State Property Authority and Government Property Principles", a total of four (4) properties from three (3) government agencies and three hundred and nine (309) leases from twelve (12) government agencies were vested in the State Property Authority under the provisions of the State Property Authority Act 2006. In addition, a total of twenty one (21) leases from six (6) government agencies were renewed in the name of State Property Authority with management responsibility commencing on 1 July 2009.

The estimated quantum financial effect on the Authority's accounts from this transfer in 2009-10 will be:

- an increase in operating revenue of approximately \$51.0 million;
- an increase in operating expenses of approximately \$48.7 million; and
- a transfer in of net assets totalling approximately \$13.8 million

Further vesting of Government agency-owned and leased properties will occur in separate tranches during 2009-10. As the identification and validation of these properties was still in progress as at the reporting date, estimates of the quantum financial impact on the Authority's accounts were not available.

(iii) Administrative Restructures

In June 2009, the Premier of NSW announced the formation of 13 new super Departments in a major reform to the structure of Government in NSW. On 27 July 2009, an Administrative Order (2009 No 352) establishing the new super Departments was issued. The Order, which takes effect from 1 July 2009, establishes a new Land and Property Management Authority and abolishes the Office of the State Property Authority as a Division of the Government Service.

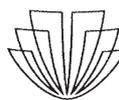
As a separate economic reporting entity established under the *State Property Authority Act, 2006*, the State Property Authority retains its status as a statutory body representing the Crown with all the objectives and functions as set out in that Act. Notwithstanding this, it is considered that the impact of the Administrative Order to the operations of the State Property Authority in and from the reporting period commencing 1 July 2009 will be as follows:

- All personnel services previously provided by the Office of the State Property Authority (the Office) to the State Property Authority will be provided by the newly created Land and Property Management Authority;
- The State Property Authority will no longer consolidate the operations of the Office within its Financial Report but will recognise the personnel services provided by the newly created Land and Property Management Authority.

Management does not consider that the above changes will impact materially on the financial results or financial position of the Authority in future reporting periods.

End of Audited Financial Statements





STATE PROPERTY AUTHORITY

Office of the State Property Authority

Financial Report

For the Year Ended 30 June 2009

Statement by the Chief Executive Officer

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

- (a) The accompanying financial statements exhibit a true and fair view of the financial position of the Office of the State Property Authority as at 30 June 2009 and the transactions for the year then ended.
- (b) The financial report complies with applicable Australian Accounting Standards (which include Australian Accounting Interpretations), the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2005*, and the Treasurer's Directions.

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

Warwick Watkins
Chief Executive Officer
Land and Property Management Authority

SYDNEY
13 October 2009





GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

Office of the State Property Authority

To Members of the New South Wales Parliament

I have audited the accompanying financial report of the Office of the State Property Authority (the Office), which comprises the balance sheet as at 30 June 2009, the income statement, statement of recognised income and expense, and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes.

Auditor's Opinion

In my opinion, the financial report:

- presents fairly, in all material respects, the financial position of the Office as at 30 June 2009, and its financial performance for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2005.

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

The Chief Executive Officer's Responsibility for the Financial Report

The Chief Executive Officer is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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



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

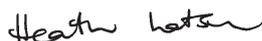
My opinion does *not* provide assurance:

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

Independence

In conducting this audit, the Audit Office of New South Wales has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A Act further promotes independence by:

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



Heather Watson
Director, Financial Audit Services

16 October 2009
SYDNEY

Office of the State Property Authority

Start of Audited Financial Report

Income Statement

For the Year Ended 30 June 2009

	Note	2009 \$'000	2008 \$'000
Revenue			
Personnel Services Income	2	17,272	10,552
Total Revenue		<u>17,272</u>	<u>10,552</u>
Expenses			
Employee Related Expenses	3	11,948	8,938
Total Expenses		<u>11,948</u>	<u>8,938</u>
Net Surplus/(Deficit) for the Year		<u>5,324</u>	<u>1,614</u>

[The accompanying notes form part of these statements]



Office of the State Property Authority

Statement of Recognised Income and Expense

For the Year Ended 30 June 2009

	Note	2009 \$'000	2008 \$'000
Net Surplus/(Deficit) for the Year		<u>5,324</u>	<u>1,614</u>
Gains/(Losses) Recognised Directly in Equity			
Superannuation Actuarial Gains/(Losses)	7	<u>(5,324)</u>	<u>(1,614)</u>
Net Gains/(Losses) Recognised Directly in Equity	8	<u>(5,324)</u>	<u>(1,614)</u>
Total Recognised Income and Expense for the Year		<u><u>-</u></u>	<u><u>-</u></u>
Effect of Changes in Accounting Policy			
Net Surplus/(Deficit) Previously Reported			-
Change of Policy - Superannuation Actuarial Gains & Losses	1(i), 7		<u>1,614</u>
Restated Net Surplus/(Deficit) for the Year			<u><u>1,614</u></u>

[The accompanying notes form part of these statements]

Office of the State Property Authority

Balance Sheet

As At 30 June 2009

	Note	2009 \$'000	2008 \$'000
ASSETS			
Current Assets			
Receivables	4	4,259	3,457
Total Current Assets		4,259	3,457
Non-Current Assets			
Receivables	4	6,372	1,474
Total Non Current Assets		6,372	1,474
TOTAL ASSETS		10,631	4,931
LIABILITIES			
Current Liabilities			
Payables	5	310	146
Provisions	6	3,949	3,311
Total Current Liabilities		4,259	3,457
Non-Current Liabilities			
Provisions	6	6,372	1,474
Total Non-Current Liabilities		6,372	1,474
TOTAL LIABILITIES		10,631	4,931
NET ASSETS		-	-
EQUITY			
Retained Earnings	8	-	-
TOTAL EQUITY		-	-

[The accompanying notes form part of these statements]



Office of the State Property Authority

Cash Flow Statement

For the Year Ended 30 June 2009

	Note	2009 \$'000	2008 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers		-	-
Payments to Suppliers and Employees		-	-
NET CASH FLOWS FROM OPERATING ACTIVITIES		<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of Property, Plant and Equipment		-	-
NET CASH FLOWS FROM INVESTING ACTIVITIES		<u>-</u>	<u>-</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		-	-
Opening Cash and Cash Equivalents		-	-
CLOSING CASH AND CASH EQUIVALENTS		<u><u>-</u></u>	<u><u>-</u></u>

[The accompanying notes form part of these statements]

Office of the State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

The Office of the State Property Authority (the Office) is a Division of the Government Service, established pursuant to Schedule 1 of the *Public Sector Employment and Management Act, 2002*. The Office is consolidated as part of the accounts of the State Property Authority which is the economic and controlling entity. By virtue of this, the Office is also consolidated as part of the NSW Total State Sector Accounts.

The Office commenced operations on 1 September 2006 and is domiciled in Australia. Its principal business address is Bligh House, 4-6 Bligh Street, Sydney NSW 2000.

The Office is a not-for-profit entity as profit is not its principal objective. Its objective is to provide personnel services to the State Property Authority (the Authority) which is the economic entity.

These financial statements have been authorised for issue by the Chief Executive Officer of the State Property Authority on 13 October 2009.

(b) Basis of Preparation

The Office of the State Property Authority's financial statements are a general-purpose financial report prepared in accordance with:

- (i) applicable Australian Accounting Standards (which include Australian Accounting Interpretations);
- (ii) other authoritative pronouncements of the Australian Accounting Standards Board (AASB);
- (iii) the requirements of the *Public Finance and Audit Act, 1983* and the *Public Finance and Audit Regulation, 2005* and *Treasurer's Directions*.

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

Generally, the historical cost basis of accounting has been adopted and the financial report does not take into account changing money values or current valuations.

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

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

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

(c) Statement of Compliance

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

Management have reviewed recently issued or amended Australian Accounting Standards and Interpretations which will come into effect in future reporting periods. It is considered that the implementation of these standards will not have any material impact on the financial results of the Office of the State Property Authority.



Office of the State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2009

(d) Income

Income is measured at the fair value of the consideration received or receivable. Revenue from the rendering of personnel services is recognised when the service is provided and only to the extent that the associated recoverable expenses are recognised.

(e) Employee Benefits and Other Provisions

(i) Salaries and Wages, Annual Leave, Sick Leave and On-Costs

Liabilities for salaries and wages (including non-monetary benefits), annual leave and paid sick leave are 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.

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

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

(ii) Long Service Leave

The cost of employee entitlements for long service leave is met by the payment of a contribution based on salaries and wages to the NSW Treasury. The payment is made to the "Non-Budget Sector Long Service Leave Pool Scheme" and leave taken is reimbursed from the Scheme.

Long service leave liability is measured on a shorthand basis to approximate present value in accordance with the requirements of AASB 119 "Employee Benefits". The shorthand methodology is based on remuneration rates at year-end for all employees with five or more years of service.

Prior to 2008-09, the present value of the long service leave liability was approximated as the unadjusted nominal value of the total long service leave obligation as at 30 June each year. From 2008-09, NSW Treasury Circular TC09/04 "Accounting for Long Service Leave and Annual Leave" mandates that all agencies who are members of the "Non-Budget Sector Long Service Leave Pool Scheme" must approximate present value based on the nominal long service leave value, the market yield on government bonds as at 30 June and valuation ratios provided by Treasury's actuary.

It is considered that this revised shorthand measurement technique provides for changes in economic conditions and produces results not materially different from the estimate determined by using the full present value basis of measurement. This change in approximating present value is a change in estimate in accordance with AASB 108 "Accounting Policies, Changes in Accounting Estimates and Errors" and is applied prospectively from 2008-09.



Office of the State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2009

(iii) Superannuation

Defined Contribution Schemes:

The expense for defined contribution superannuation schemes (ie. Basic Benefit and First State Super) is calculated as a percentage of the employees' salary. All contributions to these schemes are expensed when incurred.

Defined Benefit Schemes:

For defined benefit superannuation schemes (ie. State Superannuation Scheme and the State Authorities Superannuation Scheme), the cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations carried out at each reporting date. Actuarial gains and losses are recognised directly in Equity in the period in which they occur and are presented in the Statement of Recognised Income and Expense (Note 1(i)).

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

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

(iv) Other Provisions

Other provisions exist when the Office 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.

Any provisions for restructuring are recognised only when an agency has a detailed formal plan and the agency has raised a valid expectation in those affected by the restructuring that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected.

(f) Receivables

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

Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

All financial assets are subject to an annual review for impairment. An allowance for impairment is established when there is objective evidence that the Office will not be able to collect all amounts due. The amount of the impairment loss is recognised in the Income Statement.

(g) Payables

Payables represent liabilities for goods and services provided to the Office and other amounts. Payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method. Short term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.



Office of the State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2009

(h) Financial Instruments

Financial instruments give rise to positions that are financial assets or liabilities of either the Office of the State Property Authority or its counterparties. The Office's financial instruments comprise solely of receivables and payables relating to the provision of personnel services to the State Property Authority, which is the economic and controlling entity. Accordingly, all risks associated with the Office's financial instruments are accepted and managed by the State Property Authority.

(i) Changes in Accounting Policy

In accordance with NSW Treasury mandates, the Office has changed its policy on the recognition of superannuation actuarial gains and losses. Such actuarial gains and losses are now recognised directly in equity and are presented in the Statement of Recognised Income and Expense. Previously, actuarial gains and losses were recognised in the Income Statement through the operating result. Both options are permissible under AASB 119 "Employee Benefits".

The change in policy has been adopted on the basis that recognition outside of the operating result provides more reliable and relevant information and better reflects the nature of actuarial gains and losses. This is because actuarial gains and losses are re-measurements, based on assumptions that do not necessarily reflect the ultimate cost of providing superannuation.

The change in accounting policy increases the 2008-09 Operating Surplus from nil to \$5.324 million (2007-08 from nil to \$1.614m) by excluding from the operating result the superannuation actuarial loss of \$5.324 million (\$1.614m in 2007-08). The loss has been recognised directly in Equity and presented in the Statement of Recognised Income and Expense. In accordance with AASB 108 "Accounting Policies, Changes in Accounting Estimates and Errors", the 2007-08 comparatives have also been adjusted to reflect the change in policy.

2. REVENUE

	2009	2008
	\$'000	\$'000
Personnel Services Income	17,272	10,552
	17,272	10,552

3. EMPLOYEE RELATED EXPENSES

	2009	2008
	\$'000	\$'000
Salaries and Wages (Including Recreation Leave)	10,529	7,942
Superannuation (Defined Benefit Plans) (i)	170	(145)
Superannuation (Defined Contribution Plans)	444	338
Long Service Leave	242	351
Worker's Compensation Insurance	54	36
Payroll Tax and Fringe Benefits Tax	509	416
	11,948	8,938

- (i) Superannuation net actuarial losses of \$5.324 million (\$1.614m in 2007-08) in respect of defined benefit plans are recognised directly in Equity and presented in the Statement of Recognised Income and Expense (Note 1(i)). The total net superannuation expense in respect of the Office's defined benefits plans, including net actuarial losses, is \$5.494 million (\$1.469 million in 2007-08).



Office of the State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2009

4. RECEIVABLES	2009	2008
	\$'000	\$'000
Current		
Receivable from Parent Entity - Annual Leave	839	790
Receivable from Parent Entity - Accrued Salaries, Wages and On-Costs	310	146
Receivable from Parent Entity - Long Service Leave On-Costs	308	217
Long Service Leave Reimbursable from the Crown Finance Entity	2,802	2,304
	4,259	3,457
Non-Current		
Receivable from Parent Entity - Superannuation (Net)	6,372	1,364
Prepaid Superannuation (Note 7)	-	110
	6,372	1,474
5. PAYABLES	2009	2008
	\$'000	\$'000
Current		
Accrued Salaries, Wages and On-Costs	310	146
	310	146
6. PROVISIONS	2009	2008
	\$'000	\$'000
Current		
Annual Leave (a)	839	790
Long Service Leave (b)	2,802	2,304
Long Service Leave On-Costs (b)	308	217
	3,949	3,311
Non-Current		
Superannuation (Note 7)	6,372	1,474
	6,372	1,474
(a) Annual Leave	2009	2008
	\$'000	\$'000
An estimated dissection of the short and long term liability is:		
Short Term - expected to be settled within 12 months	519	459
Long Term - not expected to be settled within 12 months	320	331
	839	790
The amount of annual leave disclosed under "Current" above is increased by on-costs in the determination of the total provision. The provision combines amounts expected to be settled within twelve months (short term) and greater than twelve months (long term) after the reporting date.		
(b) Long Service Leave	2009	2008
	\$'000	\$'000
An estimated dissection of the short and long term liability is:		
Short Term - expected to be settled within 12 months	300	252
Long Term - not expected to be settled within 12 months	2,810	2,269
	3,110	2,521
The amount of long service leave and associated on-costs disclosed under "Current" above combines amounts expected to be settled within twelve months (short term) and greater than twelve months (long term) after the reporting date.		



Office of the State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2009

(c) Aggregate Employee Benefits and Related On-Costs	2009 \$'000	2008 \$'000
Provisions - Current	3,949	3,311
Provisions - Non-Current	6,372	1,474
Accrued Salaries, Wages and On-Costs (Note 5)	310	146
	10,631	4,931

The aggregate employee benefit liability disclosed includes liabilities from providing employee benefits and liabilities relating to payroll tax and other similar on-costs.

7. SUPERANNUATION

The superannuation schemes for employees of the Office of the State Property Authority include:

- (i) State Superannuation Scheme (SSS);
- (ii) State Authorities Superannuation Scheme (SASS);
- (iii) State Authorities Non-contributory Superannuation Scheme (SANCS)

These schemes are all defined benefit schemes - at least a component of the final benefit is derived from a multiple of member salary and years of membership.

All the schemes are closed to new members.

The closing superannuation position for the Office of the State Property Authority's defined benefit schemes as at 30 June 2008 is based on an actuarial assessment provided by the Fund's actuary, Mercer Human Resource Consulting.

Superannuation Position

Member Numbers	SASS No.	SANCS No.	SSS No.	
As at 30 June 2009				
Contributors	4	21	17	
Deferred Benefits	-	-	-	
Pensioners	-	-	3	
Pensions Fully Commuted	-	-	-	
	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
As at 30 June 2009				
Accrued Liability	(1,257)	(961)	(15,695)	(17,913)
Estimated Reserve Account Balance	1,053	866	9,622	11,541
	(204)	(95)	(6,073)	(6,372)
Future Service Liability *	(383)	(371)	(1,227)	(1,981)
Surplus in Excess of Recovery Available from Schemes	-	-	-	-
Asset/(Liability) Recognised in the Balance Sheet	(204)	(95)	(6,073)	(6,372)



Office of the State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2009

Member Numbers	SASS No.	SANCS No.	SSS No.	
As at 30 June 2008				
Contributors	4	20	16	
Deferred Benefits	-	-	-	
Pensioners	-	-	-	
Pensions Fully Commuted	-	-	-	
	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
As at 30 June 2008				
Accrued Liability	(1,125)	(803)	(11,512)	(13,440)
Estimated Reserve Account Balance	1,078	913	10,085	12,076
	(47)	110	(1,427)	(1,364)
Future Service Liability *	(329)	(301)	(881)	(1,511)
Surplus in Excess of Recovery Available from Schemes	-	-	-	-
Asset/(Liability) Recognised in the Balance Sheet	(47)	110	(1,427)	(1,364)

* The Future Service Liability (FSL) does not have to be recognised by the Office. It is only used to determine if an asset ceiling limit should be imposed (AASB 119, paragraph 58). Under AASB 119, any prepaid superannuation asset recognised cannot exceed the total of any unrecognised past service cost and the present value of any economic benefits that may be available in the form of refunds from the plan or reductions in future contributions to the plan. Where the "surplus in excess of recovery" is zero, no asset ceiling limit is imposed.

Reconciliation of the Present Value of the Defined Benefit Obligation

For the Year Ended 30 June 2009	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Present Value of Partly Funded Defined Benefit Obligations at 1 July	(1,125)	(803)	(11,512)	(13,440)
Current Service Cost	(46)	(42)	(142)	(230)
Interest Cost	(72)	(51)	(750)	(873)
Contributions by Fund Participants	(22)	-	(176)	(198)
Actuarial Gains/(Losses)	(23)	(72)	(3,777)	(3,872)
Benefits Paid	31	7	662	700
Past Service Cost	-	-	-	-
Curtailments	-	-	-	-
Settlements	-	-	-	-
Business Combinations	-	-	-	-
Exchange Rate Changes	-	-	-	-
Present Value of Partly Funded Defined Benefit Obligations at 30 June	(1,257)	(961)	(15,695)	(17,913)



Office of the State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2009

For the Year Ended 30 June 2008	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Present Value of Partly Funded Defined Benefit Obligations at 1 July	(1,174)	(796)	(10,246)	(12,216)
Current Service Cost	(43)	(43)	(125)	(211)
Interest Cost	(74)	(49)	(653)	(776)
Contributions by Fund Participants	(18)	-	(182)	(200)
Actuarial Gains/(Losses)	39	7	637	683
Benefits Paid	145	78	(943)	(720)
Past Service Cost	-	-	-	-
Curtailments	-	-	-	-
Settlements	-	-	-	-
Business Combinations	-	-	-	-
Exchange Rate Changes	-	-	-	-
Present Value of Partly Funded Defined Benefit Obligations at 30 June	(1,125)	(803)	(11,512)	(13,440)
<u>Reconciliation of the Fair Value of Fund Assets</u>				
For the Year Ended 30 June 2009	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Fair Value of Fund Assets at 1 July	1,078	913	10,085	12,076
Expected Return on Fund Assets	87	74	826	987
Actuarial Gains/(Losses)	(153)	(166)	(1,133)	(1,452)
Employer Contributions	50	52	330	432
Contributions by Fund Participants	22	-	176	198
Benefits Paid	(31)	(7)	(662)	(700)
Settlements	-	-	-	-
Business Combinations	-	-	-	-
Exchange Rate Changes	-	-	-	-
Fair Value of Fund Assets at 30 June	1,053	866	9,622	11,541
For the Year Ended 30 June 2008	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Fair Value of Fund Assets at 1 July	1,272	968	9,797	12,037
Expected Return on Fund Assets	96	74	748	918
Actuarial Gains/(Losses)	(213)	(132)	(1,952)	(2,297)
Employer Contributions	50	81	366	497
Contributions by Fund Participants	18	-	182	200
Benefits Paid	(145)	(78)	944	721
Settlements	-	-	-	-
Business Combinations	-	-	-	-
Exchange Rate Changes	-	-	-	-
Fair Value of Fund Assets at 30 June	1,078	913	10,085	12,076



Office of the State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2009

Reconciliation of the Assets and Liabilities Recognised in the Balance Sheet

	SASS	SANCS	SSS	Total
	\$'000	\$'000	\$'000	\$'000
For the Year Ended 30 June 2009				
Present Value of Partly Funded Defined Benefit Obligations at 30 June	(1,257)	(961)	(15,695)	(17,913)
Fair Value of Fund Assets at 30 June	1,053	866	9,622	11,541
Subtotal	(204)	(95)	(6,073)	(6,372)
Unrecognised Past Service Cost	-	-	-	-
Unrecognised Gain/(Loss)	-	-	-	-
Adjustment for Limitation on Net Asset	-	-	-	-
Net Asset/(Liability) Recognised in Balance Sheet at 30 June	(204)	(95)	(6,073)	(6,372)

	SASS	SANCS	SSS	Total
	\$'000	\$'000	\$'000	\$'000
For the Year Ended 30 June 2008				
Present Value of Partly Funded Defined Benefit Obligations at 30 June	(1,125)	(803)	(11,512)	(13,440)
Fair Value of Fund Assets at 30 June	1,078	913	10,085	12,076
Subtotal	(47)	110	(1,427)	(1,364)
Unrecognised Past Service Cost	-	-	-	-
Unrecognised Gain/(Loss)	-	-	-	-
Adjustment for Limitation on Net Asset	-	-	-	-
Net Asset/(Liability) Recognised in Balance Sheet at 30 June	(47)	110	(1,427)	(1,364)

Expense Recognised in the Income Statement

	SASS	SANCS	SSS	Total
	\$'000	\$'000	\$'000	\$'000
For the Year Ended 30 June 2009				
Current Service Cost	(46)	(42)	(142)	(230)
Interest Cost	(72)	(51)	(750)	(873)
Expected Return on Fund Assets (Net of Expenses)	87	74	826	987
Past Service Cost	-	-	-	-
Curtailement or Settlement Gain/(Loss)	-	-	-	-
Income/(Expense) Recognised in Income Statement	(31)	(19)	(66)	(116)

	SASS	SANCS	SSS	Total
	\$'000	\$'000	\$'000	\$'000
For the Year Ended 30 June 2008				
Current Service Cost	(43)	(43)	(125)	(211)
Interest Cost	(74)	(49)	(653)	(776)
Expected Return on Fund Assets (Net of Expenses)	96	74	748	918
Past Service Cost	-	-	-	-
Curtailement or Settlement Gain/(Loss)	-	-	-	-
Income/(Expense) Recognised in Income Statement	(21)	(18)	(30)	(69)



Office of the State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2009

Amounts Recognised in the Statement of Recognised Income and Expense

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
For the Year Ended 30 June 2009				
Actuarial Gains/(Losses)	(176)	(238)	(4,910)	(5,324)
Adjustment for Limitation on Net Asset	-	-	-	-
Income/(Expense) Recognised in Statement of Recognised Income and Expense	(176)	(238)	(4,910)	(5,324)
For the Year Ended 30 June 2008				
Actuarial Gains/(Losses)	(174)	(125)	(1,315)	(1,614)
Adjustment for Limitation on Net Asset	-	-	-	-
Income/(Expense) Recognised in Statement of Recognised Income and Expense	(174)	(125)	(1,315)	(1,614)

Cumulative Amount Recognised in the Statement of Recognised Income and Expense

The cumulative amount of actuarial gains and losses recognised in the Statement of Recognised Income and Expense since the Office commenced operations on 1 September 2006 is \$5.412 million.

Fund Assets

The percentage invested in each asset class as at 30 June:

	2009 %pa	2008 %pa
As at 30 June:		
Australian Equities	32.1	31.6
Overseas Equities	26.0	25.4
Australian Fixed Interest Securities	6.2	7.4
Overseas Fixed Interest Securities	4.7	7.5
Property	10.0	11.0
Cash	8.0	6.1
Other	13.0	11.0

Fair Value of Fund Assets

All Fund assets are invested by STC at arm's length through independent fund managers.

Expected Rate of Return on Assets

The expected return on assets assumption is determined by weighting the expected long-term return for each asset class by the target allocation of assets to each class. The returns used for each class are net of investment tax and investment fees.

Actual Return on Fund Assets

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
For the Year Ended 30 June 2009				
Actual Return on Fund Assets	(106)	(92)	(990)	(1,188)
For the Year Ended 30 June 2008				
Actual Return on Fund Assets	(86)	(58)	(769)	(913)



Office of the State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2009

Valuation Method and Principal Actuarial Assumptions at Balance Date

(a) Valuation Method

The Projected Unit Credit (PUC) valuation method was used to determine the present value of the defined benefit obligations and the related current service costs. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

(b) Economic Assumptions

As at 30 June:	2009 %pa	2008 %pa
Salary Increase Rate (Excluding Promotional Increases)	3.5	3.5
Rate of CPI Increase	2.5	2.5
Expected Return on Assets Backing Current Pension Liabilities	8.1	8.3
Expected Return on Assets Backing Other Liabilities	8.1	7.3
Discount Rate	5.6	6.6

(c) Demographic Assumptions

The demographic assumptions at 30 June 2009 are those that will be used in the 2009 triennial actuarial valuation. The triennial review report will be available from the NSW Treasury website, after it is tabled in Parliament in December 2009.

Historical Information

For the Year Ended 30 June 2009	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Present value of Defined Benefit Obligation	(1,257)	(961)	(15,695)	(17,913)
Fair Value of Fund Assets	1,053	866	9,622	11,541
Surplus/(Deficit) in Fund	(204)	(95)	(6,073)	(6,372)
Experience Adjustments - Fund Liabilities	(23)	(72)	(3,777)	(3,872)
Experience Adjustments - Fund Assets	(153)	(166)	(1,133)	(1,452)

For the Year Ended 30 June 2008	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Present value of Defined Benefit Obligation	(1,125)	(803)	(11,512)	(13,440)
Fair Value of Fund Assets	1,078	913	10,085	12,076
Surplus/(Deficit) in Fund	(47)	110	(1,427)	(1,364)
Experience Adjustments - Fund Liabilities	39	7	637	683
Experience Adjustments - Fund Assets	(213)	(132)	(1,952)	(2,297)

Expected Employer Contributions

For 2009-10	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Expected Employer Contributions	41	48	282	371

For 2008-09	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Expected Employer Contributions	59	38	283	380



Office of the State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2009

Funding Arrangements for Employer Contributions

(a) Surplus/(Deficit)

The following is a summary of the financial position of the Fund calculated in accordance with AAS25 "Financial Reporting by Superannuation Plans":

As at 30 June 2009	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Accrued Benefits	(1,173)	(884)	(11,022)	(13,079)
Net Market Value of Fund Assets	1,053	866	9,622	11,541
Net Surplus/(Deficit)	(120)	(18)	(1,400)	(1,538)

As at 30 June 2008	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Accrued Benefits	(1,125)	(807)	(10,700)	(12,632)
Net Market Value of Fund Assets	1,078	913	10,085	12,076
Net Surplus/(Deficit)	(47)	106	(615)	(556)

(b) Contribution Recommendations

Recommended contribution rates for the Authority are:

Fund	Contribution Basis	2009 Rate	2008 Rate
SSS	Multiple of Member Contributions	1.6	1.6
SANCS	Percentage of Member Salary	2.5%	2.5%
SASS	Multiple of Member Contributions	1.9	1.9

(c) Funding Method

The method used to determine the employer contribution recommendations at the last actuarial review was the Aggregate Funding method. The method adopted affects the timing of the cost to the employer.

Under the Aggregate Funding method, the employer contribution rate is determined so that sufficient assets will be available to meet benefit payments to existing members, taking into account the current value of assets and future contributions.

(d) Economic Assumptions

The economic assumptions adopted for the last actuarial review of the Fund were:

Weighted Average Assumptions	2009 %pa	2008 %pa
Expected Return on Fund Assets Backing Current Pension Liabilities	8.3	7.7
Expected Return on Fund Assets Backing Other Liabilities	7.3	7.0
Expected Rate of Salary Increase	4.0	4.0
Expected Rate of CPI Increase	2.5	2.5



Office of the State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2009

Nature of Asset/Liability

If a surplus exists in the employer's interest in the Fund, the employer may be able to take advantage of it in the form of a reduction in the required contribution rate, depending on the advice of the Fund's actuary.

Where a deficiency exists, the employer is responsible for any difference between the employer's share of fund assets and the defined benefit obligation.

8. CHANGES IN EQUITY

	2009 \$'000	2008 \$'000
<u>Retained Earnings</u>		
Balance at 1 July	-	-
Changes in Equity - Transactions with Owners as Owners	-	-
Changes in Equity - Other than Transactions with Owners as Owners		
Net Surplus/(Deficit) for the Year	5,324	1,614
Superannuation Actuarial Gains/(Losses) (Notes 7 and 1(i))	(5,324)	(1,614)
Total	-	-
Balance at 30 June	-	-

9. EVENTS AFTER BALANCE SHEET DATE

(a) Adjusting Events

There are no known after balance date events which would give rise to a material impact on the reported results or financial position of the Office as at 30 June 2009.

(b) Non-Adjusting Events

Administrative Restructures

In June 2009, the Premier of NSW announced the formation of 13 new super Departments in a major reform to the structure of Government in NSW. On 27 July 2009, an Administrative Order (2009 No 352) establishing the new super Departments was issued. The Order, which takes effect from 1 July 2009, establishes a new Land and Property Management Authority and abolishes the Office of the State Property Authority as a Division of the Government Service.

The impact of the Administrative Order to the operations of the Office of the State Property Authority (the Office) in and from the reporting period commencing 1 July 2009 will be as follows:

- (i) The Office will cease to exist as a separate reporting entity and all assets and liabilities of the Office will be transferred to the Land and Property Management Authority by equity adjustment; and
- (ii) All personnel services previously provided by the Office to the State Property Authority will be provided by the newly created Land and Property Management Authority.

End of Audited Financial Report



Statutory and Statistical Information

Principal Governing Legislation

The State Property Authority operates under the following principal legislation:

- *State Property Authority Act, 2006*
- *Public Finance and Audit Act, 1983*
- *Public Sector Employment and Management Act, 2002*

Changes in Legislation

Four State Property Authority Orders were published with commencement dates in the 2008-09 financial year, vesting 125 land parcels and 40 lease and easement interests into the Authority. State Property Authority Order (No 2) 2008 was published in the Government Gazette and commenced on 1 July 2008. This amended Schedule 1 of the *State Property Authority Act 2006*, transferring 54 land parcels and the related assets to the State Property Authority which were previously owned or administered by the Department of Primary Industries, the Roads and Traffic Authority, the Department of Juvenile Justice and the State Emergency Service.

State Property Authority Order (No 3) 2008 was published in the Government Gazette and commenced on 3 October 2008. This amended Schedule 1 of the *State Property Authority Act 2006*, transferring 5 land parcels and the related assets to the State Property Authority which were previously owned by the Department of Commerce. These parcels had been previously acquired and are held on behalf of NSW Police for the purposes of construction of a new police station at Granville.

State Property Authority Order (No 4) 2008 was published in the Government Gazette and commenced on 1 November 2008. This amended Schedule 1 of the *State Property Authority Act 2006*, transferring 65 land parcels, 39 lease interests and 1 easement interest to the State Property Authority which were previously owned or administered by the Department of Primary Industries, the Department of Water and Energy, the Department of Community Services, the Department of Commerce, the Roads and Traffic Authority, the Department of Juvenile Justice and the State Emergency Service.

State Property Authority Order 2009, in relation to one parcel of land, was published in the Government Gazette commenced on 8 May 2009. This amended Schedule 1 of the *State Property Authority Act 2006*, transferring that parcel from the administration of the Department of Primary Industries to the State Property Authority to facilitate its divestment.



Heritage Management

A total of 47 Authority owned properties appear on the State Property Authority's Heritage Inventory, of which 10 are listed on the NSW State Heritage Register. These include the Chief Secretary's Building in the Sydney CBD, Strickland House in Vaucluse and the Old Bourke Court House. All properties are maintained in good condition and in accordance with any guidelines issued by the Heritage Council. The Old Bourke Court House is scheduled to undergo a major refurbishment in 2009-10 as part of the Authority's capital works program.

Promotion

During 2008-09, the Authority published the corporate brochure "*Enabling Better Services*", providing a snapshot of how the Authority works to improve operational efficiencies in the use of government property to support better service delivery.

To coincide with the official opening of the NSW Government Service Centre, Queanbeyan in September 2008, the Authority also produced a brochure promoting the state-of-the-art service delivery, design and environmental features of the new complex.

Both these documents are available to the public on the Authority's corporate website at www.spa.nsw.gov.au which also provides detailed information on the role, activities and functions of the Authority. The Authority's latest Freedom of Information Summary of Affairs to 30 June 2009 and its 2007-08 Annual Report are also published on this site.



Payment of Accounts

The following table highlights the Authority's account payment performance for 2008-09. The percentage of invoices paid on time for the year totalled 83.8% (compared to 76.3% in 2007-08). The improvement in performance over the last financial year is largely attributed to enhancements to the accounts payable systems and processes within the Authority and its outsourced property management service provider. It is expected that ongoing enhancements to invoice processing methods will see a further improvement in performance in 2009-10.

During 2008-09, there were no occasions where the late payment of accounts incurred an interest charge to the Authority.

2008-09 ACCOUNT PAYMENT PERFORMANCE	1ST QTR	2ND QTR	3RD QTR	4TH QTR	TOTAL
	\$'000	\$'000	\$'000	\$'000	\$'000
VALUE OF INVOICES PAID					
Paid Before Due	35,814	40,261	38,844	52,977	167,896
<30 Days Overdue	665	3,556	769	1,350	6,340
>30<60 Days Overdue	241	702	330	159	1,432
>60<90 Days Overdue	26	270	154	60	510
>90 Days Overdue	89	229	376	386	1,080
TOTAL VALUE OF INVOICES PAID	36,835	45,018	40,473	54,932	177,258
PERCENTAGE PAID ON TIME	1ST QTR	2ND QTR	3RD QTR	4TH QTR	TOTAL
NUMBER OF INVOICES PAID					
Number Paid	3,032	3,302	4,306	5,706	16,346
Number Paid on Time	2,666	2,591	3,412	5,026	13,695
PERCENTAGE PAID ON TIME	87.9%	78.5%	79.2%	88.1%	83.8%



Consultants

The Authority engages consultants to augment existing expertise and resources. During 2008-09, the Authority obtained the following consultancy services:

2008 -09 CONSULTANCIES PROJECTS/C ATEGORI ES	CONSULTANTS	TOTAL COST \$
GREATER THAN \$30 ,000:		
Project Title	Consultant Name	
Property, FM Strategy and Procurement Project	Asset Technologies Pacific	167,455
Workplace Guidelines Review	Infonet Australia Pty Ltd	59,000
LESS THAN \$30 ,000:		
Category	Number of Consultants	
Management Services	4	15,157
Government Policy Review	4	21,620
Information Technology	2	43,313
TOTAL CONSULTANCIES		306 ,545

Risk Management and Insurance

In 2008-09, the State Property Authority was insured with the Treasury Managed Fund which is managed by the NSW Self Insurance Corporation. The transfer of ownership of a large number of buildings to the State Property Authority from several budget dependent agencies during 2007-08 increased the insurance value of owned properties to more than \$1 billion.

The Authority has an independent Audit and Risk Management Committee. Under its charter, the role of the Committee is to provide advice and support to the CEO in:

- reviewing the adequacy and quality of the Authority's internal control structure
- fulfilling the legal requirements of Section 11 of the *Public Finance and Audit Act, 1983*
- reviewing the Authority's financial statements and financial reporting generally
- assessing the performance of the Authority's financial and operational management
- reviewing the timeliness and appropriateness of management responses to audit reports
- reviewing and assessing all aspects of the Authority's internal audit function, from the approval of the charter through to the review of audit results, including the effectiveness of the internal audit function
- monitoring the effectiveness of risk management strategies and internal controls
- assessing the robustness of controls to prevent and detect fraud and corruption.

The Committee met on five occasions during 2008-09.



During 2008-09, the Audit and Risk Management Committee comprised Mr Jim Mitchell (Chair), Mr Chris Raper (Member) and Mr Bill Middleton (Member). All three were appointed for two years from 1 March 2008 to 28 January 2010. Also in attendance were representatives of the external auditor (NSW Audit Office), the internal auditor (IAB Services) and senior Authority management.

The Authority also has an internal Corporate Risk Management Committee. Under its charter, the Corporate Risk Management Committee is responsible for:

- risk management policy and planning
- risk monitoring, including periodic review of corporate and divisional risk registers
- internal policies and procedures, including financial management, risk management, asset management, human resources, occupational health and safety, code of conduct, procurement, privacy and information management
- coordination of risk analyses and reporting/monitoring mechanisms
- risk management reporting to the CEO, Executive Committee and the independent Audit and Risk Management Committee.

The Committee met on 12 occasions during 2008-09.

In addition, the Authority engaged IAB Services to provide internal audit services with a term of appointment of three years from 1 July 2007 to 30 June 2010. During 2008-09, IAB Services reported on its reviews of the following matters:

- tendering and procurement processes
- fraud and corruption prevention risk assessment
- risk management framework
- draft valuation policy and procedures
- management of the outsourced service provider contract.

The State Property Authority adopted a revised 2009 Risk Management Plan and arranged for corruption prevention awareness training workshops for managers to be delivered by the Independent Commission Against Corruption.

Credit Cards

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

Committees

Significant committees on which the Authority was represented during 2008-09 included:

- Government Asset Management Committee, on which the Chief Executive Officer represented the Authority
- Property Disposal Assessment Panel, which reports to the Government Asset Management Committee, and on which the General Manager, Divestments, Acquisitions and Development and a senior officer represented the Authority
- State Contracts Control Board, on which the Chief Executive Officer was a member.

Occupational Health and Safety (OH&S)

During 2008-09, the Authority continued to ensure the provision of a safe and healthy working environment for its staff. When a work related injury, accident or illness occurred the Authority ensured the correct injury/incident management, reporting, investigation and review procedures were followed and that employees were provided with appropriate support.

During the reporting period there were four work related injuries and no prosecutions under the *Occupational Health and Safety Act, 2000*.

Specific OH&S initiatives during 2008-09 included:

- appointment and training of OH&S representatives to improve workplace health and safety and related consultation, consistent with the *NSW Occupational Health and Safety Act 2000* and regulations
- continued referrals and use of FMA Psychology Pty Ltd as the provider of the employee assistance program for staff of the Authority. This program played a key role in workplace injury management
- incorporation of OH&S responsibilities in the Authority's Code of Conduct and property management operations



- implementation of educational awareness sessions on mental health issues in Australia and their impact in the workplace
- development and implementation of a corporate influenza vaccination program for all staff and contractors employed in the Authority
- maintenance of effective workplace injury management processes with the Department of Commerce on an outsourced basis.

Equal Employment Opportunity (EEO)

Trends in the representation of EEO Groups (1)

EEO Group	Benchmark Target	% of Total Staff (2)		
		2006-07	2007-08	2008-09
Women	50%	25%	31%	36%
Aboriginal People & Torres Strait Islanders	2%	-	-	-
People whose first language was not English	19%	10%	14%	15%
People with a disability	12%	6%	7%	7%
People with a disability requiring work related adjustment	7%	2.2%	2.2%	2.5%

(1) Staff numbers as at 30 June

(2) Excludes casual staff



Specific initiatives and outcomes aimed to eliminate discrimination in employment and to promote EEO during 2008-09 included:

- inclusion of EEO principles into all recruitment and selection programs and activities
- incorporation of equity and diversity principles in the Authority's Code of Conduct
- achievement of an increased representation of women in the Authority's workforce from 31% in 2007-08 to 36% in 2008-09
- provision of EEO through higher duties and transfers across the Authority
- review of data to identify staffing, remuneration and classification profiles for existing and future workforce needs.

Major EEO activities and outcomes planned for 2009-10 are currently being reviewed and developed in consultation with the Land and Property Management Authority following alignment with the newly merged entity in July 2009.

Personnel Policies and Practices

During 2008-09, the Authority developed and implemented the following personnel policies and/or procedures:

- Code of Conduct across the Authority for all permanent and contractor staff
- recreation leave management
- graduate employment.

During the financial year, the Authority undertook preparatory work for the development and implementation of a Personnel Performance Management System. This proposal is currently being reviewed in consultation with the Land and Property Management Authority following alignment with the newly merged entity in July 2009.

Industrial Relations Policies and Practices

In April 2009, the Authority established a Joint Consultative Committee with the Public Service Association of NSW as the peak industrial consultation forum. The Committee met monthly during the reporting period and worked closely with the Association on improving people management practices throughout the business.



Disability Plans

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

- Reasonable adjustment practices for the disabled were included in all capital construction, fit-out, building upgrades and refurbishments of office space.
- Lifts were installed in government office buildings at Inverell and Moree.
- A disabled access ramp and car parking spaces were provided at the Inverell Government Office Building.
- Council approval was obtained for the installation of a disabled access ramp at the Wagga Wagga Government Office Building.
- Building risk assessments were completed for properties vested with the State Property Authority for the provision of disabled access facilities and to ensure compliance with the *Commonwealth Disability Discrimination Act, 1992*.
- Government office buildings at Queanbeyan and Penrith were designed and completed with full compliance under the *Commonwealth Disability Discrimination Act, 1992*, as well as with Australian Standards (AS 1428 Part 2).

Waste Minimisation and Recycling

In accordance with the government's Waste Reduction and Purchasing Policy (WRAPP), the Authority has launched a number of initiatives directed to meeting new government targets for reducing greenhouse gas emissions and achieving environmentally sustainable purchasing practices.

The Authority's major achievement during 2008-09 was the analysis and identification of the main waste streams generated by the Authority from its corporate operations and from the operational management of its owned office buildings.

As a result of this analysis, the following initiatives are planned for 2009-10:

- establishment of a WRAPP Strategy Compliance Group to monitor purchasing practices, waste and recycling streams arising from corporate operations and making recommendations on systems and processes to improve performance
- inclusion of clauses in major contracts for works on Authority owned properties under the Capital Works Program requiring contractors to measure and report on building and construction waste generated by capital works activities.

The Authority's performance will be reported comprehensively in its 2009-10 Annual Report.



Consumer Response

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

The Authority also gauges client response to its service delivery through its annual Customer Satisfaction Survey, aimed at achieving superior customer service. As a result of feedback from the 2008 survey, the Authority launched a Help Desk to ensure that agency property management issues are properly directed to a central service point.

During 2008-09, the Authority also commenced development of its Complaints Handling Policy and Procedure which is scheduled for implementation during 2009-10.

Freedom of Information (FOI)

During 2008-09, the State Property Authority received seven applications for access to information under the *Freedom of Information Act, 1989*. Of the seven applications, four were granted in full, one was granted in part (documents not held), one was refused (exempt) and one was carried forward to the 2009-10 financial year. One application required formal consultation with third parties. With the exception of the application carried forward, all FOI applications were processed within the statutory 21 day period. FOI application fees during 2008-09 totalled \$210.00 while processing fees were estimated to be \$590.00.

By way of comparison, the Authority received five FOI applications during 2007-08, of which three were granted in full and two were granted in part (exempt). Two applications required formal consultation with third parties. One of the five applications received was processed within the 21 day statutory period while the remaining processing times were between 22-35 days. 2007-08 application fees totalled \$480.00 while costs were estimated at \$785.00.

During 2008-09, the Authority's obligations under the FOI Act did not present any significant impact on the agency's resources or activities, nor did any issues arise in connection with the Authority's compliance with the legislation. None of the FOI matters determined by the Authority were the subject of investigation by the NSW Ombudsman, requests for internal review, or external review by the Administrative Decisions Tribunal.



FOI – Statement of Affairs

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

Under the Act, the Authority is required to publish an annual Statement of Affairs. The Statement of Affairs must include information on:

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

Structure and Functions

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

The Act outlines the Authority's objectives, namely to:

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

The Act further describes the Authority's main functions, namely to:

- hold, manage, maintain, acquire or dispose of property for the government and government agencies
- carry out, manage, coordinate or participate in the development of the property of government agencies (including property of the Authority)
- arrange, where appropriate, for the sharing of facilities and premises by government agencies to reduce operational expenses
- provide services or do other things for the management, maintenance or improvement of property of government agencies (including property of the Authority)
- provide advice to the Treasurer in relation to properties of government agencies and, in particular, as to whether those properties are being efficiently utilised
- provide advice to the Treasurer on the transfer of properties to the Authority and on budgetary measures relating to the properties of government agencies
- provide advice to the Treasurer on such matters relating to the properties of government agencies, including the property of the Authority, as the Treasurer directs.

Details on programs and activities being undertaken by the State Property Authority are provided elsewhere in this Annual Report. Information on the Authority is also available on the Authority's website at www.spa.nsw.gov.au.

Effect of Functions on Members of the Public

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

Documents Held

The Authority holds the following categories of documents:

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



All policy documents held by the Authority are identified in the Authority's FOI Statement of Affairs and published in the NSW Government Gazette every six months. The June 2009 Summary of Affairs was published in the Government Gazette on 26 June 2009.

Access Arrangements, Procedures and Points of Contact

Enquiries regarding access to or the amendment of documents under the FOI Act may be directed to:

The Freedom of Information Coordinator
State Property Authority
Level 9, Bligh House
4-6 Bligh Street
SYDNEY NSW 2000
Telephone: 9338 7140
Facsimile: 9338 7111
Email: maryjane.maliphant@spa.nsw.gov.au

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

The Authority's Freedom of Information Policy is publically available on the agency's corporate website and outlines the types of documents available, access arrangements, fee structures and applicants' rights of appeal.

An application for access to, or the amendment of documents under the FOI Act must be made in writing, be accompanied by a fee of \$30 and directed to the above address. Application forms are available from the FOI Coordinator. Upon receipt, the applicant will be advised of the outcome of the application within 21 days, subject to the provisions of the Act.

A request may be refused if the document is determined to be exempt under Schedule 1, Part 1 of the FOI Act. The applicant has rights of appeal and may apply for an internal review of the Authority's decision. Reviews by the Ombudsman and further appeals to the Administrative Decisions Tribunal can also be made under the Act.



Charges for Access

Nature of Application	Application Fee	Processing
Access to records by natural person about their personal affairs	\$30	\$30 an hour after first 20 hours
All other requests	\$30	\$30 per hour
Internal review (all circumstances)	\$40	Nil
Amendment of records	Nil	Nil

Fee reductions will be applied in cases of financial hardship as set out in the NSW FOI Manual published by the Department of Premier and Cabinet and the NSW Ombudsman.

Privacy Management

During the reporting period, the Authority did not receive any applications for Internal Review under the *Privacy and Personal Information Protection Act, 1998*. In accordance with Section 33 (5) of the Act, the Authority provided the Privacy Commissioner with a copy of its Privacy Policy and Management Plan prepared in May 2008.



Access to Services

Postal Address:

GPO Box 5341 Sydney NSW 2001

Street Address:

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

Business Hours:

9:00 am to 5:00 pm Monday to Friday

Key Contact Details:

Switchboard	(02) 9338 7000
Facsimile	(02) 9338 7111
FOI and Privacy Coordinator	(02) 9338 7140
Email:	spafeedback@spa.nsw.gov.au

Date of publication 20 November 2009

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Availability of Annual Report

The annual report is available from the State Property Authority in a printed format. It is also available on the Authority's web site: www.spa.nsw.gov.au.

External Cost of Production

The total external costs of producing this annual report (including GST) were \$4,088.



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Parramatta Justice Precinct



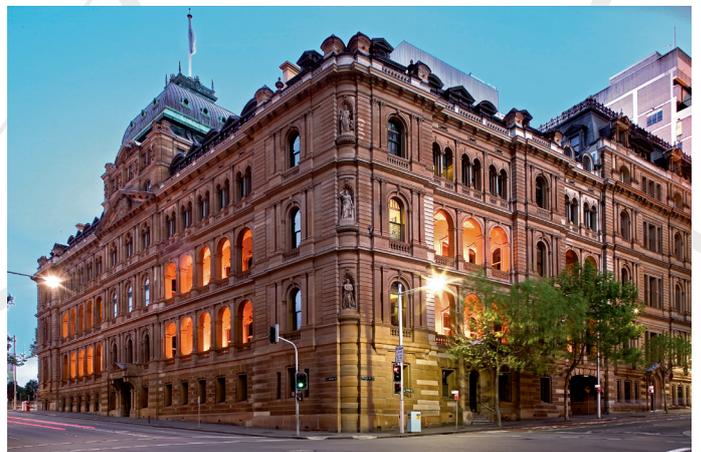
The Parramatta Justice Precinct services the requirements of the Attorney General's Department and provides facilities for the Department of Health. The Precinct comprises the NSW Children's Court, the Sydney West Trial Courts, the Justice Precinct Offices and Jeffery House community health facility.

The completion of the Justice Precinct Office, owned by the Authority, was a major milestone in the completion of the Parramatta Justice Precinct.

Chief Secretary's Building - 1879

Home of NSW's first Colonial Secretary, the building has been extensively refurbished by the NSW Government, and re-opened in 2005 as the new home of the Industrial Relations Commission of NSW.

As part of the Government Property Portfolio, the building is an important example of 19th Century architecture. Great care was taken to preserve the original layout and hierarchical form of the building, including the restoration of historic interior elements and decorative schemes, some of which had changed little over the years.





www.spa.nsw.gov.au