



Government
Property NSW

Annual Report 2015

Excellence in property for NSW

Dear Minister

Letter of submission

In accordance with the *Annual Report (Statutory Bodies) Act 1984* I am pleased to submit to you, for presentation to Parliament, a report on the activities and financial affairs of Government Property NSW for the period 1 July 2014 to 30 June 2015.

Yours Sincerely



Brett Newman
Chief Executive Officer
Government Property NSW



Martin Hoffman
Secretary
Department of Finance, Services & Innovation

Contents

- 02 Forward from our Chief Executive Officer
- 04 Annual Review
 - Strategic advice
 - Capital recycling
 - Property services
 - Leasing
 - Organisational change
- 06 Our Charter
- 06 Organisation Structure
- 07 Our Performance
- 08 Our Work
 - RMS recycling of capital
 - Parramatta Justice Precinct
 - Millers Point
 - Relocations to Western Sydney
 - 52 Martin Place
- 14 Our Divisions
 - Major Projects
 - Commercial Transactions
 - Portfolio Management Group
 - Strategy
 - Operations
 - Finance
- 18 Our People
 - The GPNSW Team
- 20 Performance Overview
 - Commercial Portfolio Utilisation
 - Commercial Portfolio Performance
 - Financial Performance
 - Operating Result
 - Operating Budget Overview
 - Independent Audit Outcome
- 29 Appendix A – Financial Statements
- 69 Appendix B – Statutory and Statistical Information

Forward from our Chief Executive Officer

On behalf of Government Property NSW (GPNSW), I'm delighted to report on our progress over the past 12 months, which I describe as a 'defining year' for our agency.

02

In the second full year since the Property Asset Utilisation Taskforce (PAUT) Report, GPNSW has achieved significant results in the delivery of whole-of-government property solutions to support agencies so they can improve services for the benefit of NSW.

It is compelling to think that prior to GPNSW, the State Property Authority divested an average of c\$10m per annum in government property, and our team has since recycled more than \$1billion in assets, an average of \$303m per year, generating significant revenue for the State, including \$347m in the 2014/15 financial year. This contribution has been buoyed by a strong property market, however, that should not undermine the terrific contribution of our people and partner agencies who have continually strived for excellent results.

Importantly, revenue generated by GPNSW is reinvested to improve roads, hospitals, infrastructure, social housing and transport. This is the most pleasing part of our role – knowing that our specialist property expertise ultimately contributes to improving Government service delivery.

Our organisation has evolved to deliver greater strategic planning across NSW public sector property assets. During the year, GPNSW has provided strategic advice across a range of Government initiatives, including:

- **Decade of Decentralisation** – the relocation of public service jobs from the Sydney CBD to metropolitan and regional centres, in particular Western Sydney.

- **Crown Lands** – the Government's review of the Crown Lands portfolio.
- **SHFA Review** – a review of SHFA's functions to identify potential for reducing duplication of service delivery.
- **TAFE Reforms** – working with TAFE NSW on a review of asset ownership options and the development of a strategic asset management plan.
- **Millers Point** – the staged disposal of assets via a dedicated steering committee.
- **Service NSW** – managing the sales program of RMS assets to assist the funding requirements of the Service NSW one stop shop program.
- **Port Lessors** – management of head lease responsibilities.

Consistent with our Act, which requires us to operate at least as efficiently as any comparable business, our strategy remains focussed on driving commercial best practice outcomes. To this end, it's worth reflecting on some of our achievements over the year:

- Managing over \$400m of annual rent across 1 million m² of space and 1700 leases.



Internal presentation from CEO, Brett Newman

- Facilitating a sales program delivering a boost of \$347m for the State. More specifically:
 - The sale of the Parramatta Justice Precinct for \$170m to be reinvested in the Restart NSW Fund.
 - The sale of the former Children's Court site "Bidura" at Glebe for \$33m, funding the development of a custom facility in Surry Hills.
 - Project management for the sale of over 250 properties in Millers Point, 19 of which were sold during the financial year realising net sale proceeds of over \$43m.
 - Delivered \$46m in sales for RMS during the period, with proceeds reinvested in Service NSW's one stop shop service centres.
- As part of the Decade of Decentralisation, GPNSW managed the relocation of Government agencies from Sydney and North Sydney to Liverpool, Parramatta, Penrith, Gosford, Newcastle and Queanbeyan.

We are focussed on continually building on this success with an estimated pipeline of assets to be divested by GPNSW and other agencies which is \$865m for 2015/16, \$652m for 2016/17 and \$426m for 2017/18.

This year we also commenced an organisational restructure and a change program which has seen a focus on building a culture to support our agency's vision and reputation. This means our people have renewed enthusiasm for our broader aspiration, which is to be the leading government property manager globally. I'm grateful to have the support of a strong Executive team as well as excellent people across

our agency. I'm also fortunate that we've had an abundance of talent and expertise join our agency. I acknowledge the contribution of our people, and thank the team for their continued focus as we continually strive to achieve our vision.

Our success as an agency is also the result of the continued support of our valued stakeholders across government. I'd like to thank them for their contribution to our performance and for their ongoing confidence in GPNSW.

As I mentioned, the 2014/15 financial year has been a 'defining year', reflected in our contribution to the State. It is therefore with great pleasure that I present this annual report to mark its conclusion. As we enter another year, we are committed to building on this success, and continually supporting government to meet its service delivery commitments.

I look forward to the opportunities of this next financial year with great optimism.

Brett Newman,
Chief Executive Officer

Annual Review

The 2014/15 financial year has seen GPNSW continue its uncompromising focus on excellence in property for NSW.

04

Strategic advice

GPNSW has forged a reputation across the NSW Government for its strategic approach to property by delivering:

- Expert advice across whole-of-government
- Best in class asset management solutions
- Reform in agency service delivery
- Accommodation solutions

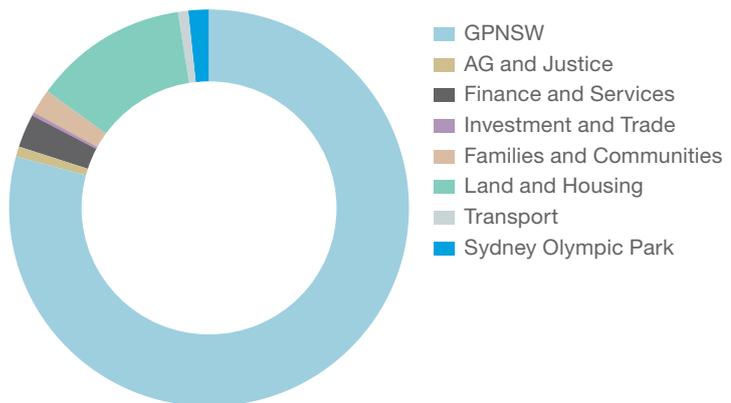
GPNSW has assisted in the development of portfolio property plans for a number of agencies, including the Department of Education and the Department of Health. Agencies engage our services to ensure the efficient management of property assets and transactions. This involves providing strategic property advice regarding agency accommodation needs and on the best approach to holding and managing assets that are core to service delivery.

GPNSW has extended its reach across government with a significantly larger departmental relationship base with a growing awareness of the services we provide – testament to the quality of GPNSW specialist property advice. GPNSW is now providing services to over 100 Government agencies.

Capital recycling

A number of high value and complex capital recycling initiatives have been delivered on behalf of government clients – over the past year our team has recycled \$347m in assets, generating significant cash reserves for the State.

This has meant that GPNSW has delivered a substantial contribution to improved services in NSW. The graph below depicts the breakdown by agency of asset recycling that GPNSW has achieved over the 2014/15 year:



GPNSW is playing a key role in delivering the capital funding for agency initiatives, with examples including:

- **Service NSW** – the roll out of the new one-stop-shop concept for government customer service on behalf of Service NSW and RMS.
- **Family and Community Services** – ongoing auctions in Millers Point and The Rocks are part of the NSW Government’s initiative to sell government-owned heritage housing and reinvest proceeds into the supply of over 1,500 new social housing dwellings across Sydney and regional NSW. This is particularly important given the social housing wait list has over 58,000 applicants.

- **TAFE – TAFE Reforms** – working with TAFE NSW on a review of asset ownership options and the development of a strategic asset management plan.

Proceeds from the sale of GPNSW owned properties are paid to Treasury as a capital repatriation, and are applied in accordance with Treasury policy.

Property services

Greater strategic planning across NSW public sector property assets has further improved the management of government's property portfolios so they are better utilised and maintained.

A commercial focus on the operations of GPNSW has resulted in refinement of the asset refurbishment program. This has ensured works are planned in conjunction with anticipated asset sales, resulting in deferred capital spend and the retention of capital for emergency works and enhancements. This has led to improved capital management for Government, with a reduction of \$13m in capital works expenditure against budget in the financial year.

GPNSW has also enhanced the data management of whole-of-government property information by rolling out improvements to the Government Property Register and ensuring client agencies are trained in the latest available data.

Leasing

GPNSW's continued role in leading the government's Decade of Decentralisation strategy, has seen expressions of interest generated for the relocation of significant agency staffing needs to Liverpool, Penrith and Parramatta in the Western Sydney growth corridor. GPNSW has facilitated a reduction in CBD office space by over 34,000m², with more than 1,400 full time equivalent positions moved away from the CBD.

Organisational change

During the 2014/15 financial year GPNSW underwent a change program to continue the repositioning of the agency to ensure that it operates at least as efficiently as a commercial enterprise. This involved:

- An organisational wide restructure, realigning staffing roles along commercial lines
- Improvements to processes, governance and controls
- Implementing a greater cost centre focus in individual projects and work streams.

In addition, Waste Assets Management Corporation was successfully integrated with GPNSW's environmental capability. This transition has already improved collaboration and ideas sharing across government as well as resulting efficiencies.

Our charter

GPNSW manages the NSW Government's owned and leased property portfolio. Its focus is on the strategic review, acquisition, divestment and greater utilisation of the Government's real property assets.

Our assets comprise office buildings, significant heritage properties, non-commercial assets and land holdings and many have been vested in GPNSW by other Government agencies.

Our organisation works closely with a range of Government agencies, providing specialist industry knowledge, expertise and understanding of the unique requirements of Government property management.

Our efficient and effective approach to management of Government property generates whole-of-government savings, economic benefits, and sustainability.

GPNSW has implemented a number of initiatives including:

- Strategic review of a number of significant agency real estate portfolios
- Increased disposal activity
- Increased leasing activity
- Establishment of a working capital fund.

GPNSW operates under the following principal legislation:

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

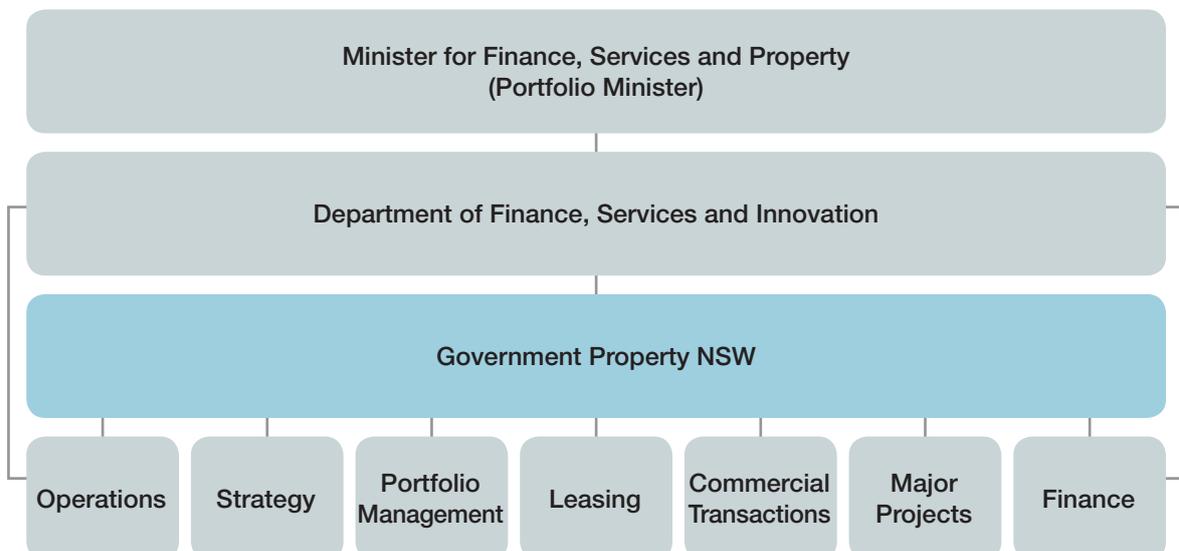
06

Organisation structure

GPNSW is a division of the Department of Finance, Services and Innovation (DFSI). As a statutory body representing the Crown, GPNSW has the status, privileges and immunities of the Crown and is under the control and direction of the Minister for Finance, Services and Property.

Operationally, GPNSW is managed by a Chief Executive Officer who reports to the Minister, both directly and via the Secretary of DFSI.

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



Structure as at 30 June 2015

Our performance

Key highlights for GPNSW in the 2014/15 financial year include:

The successful identification, review, and sale of \$347m of underutilised assets in Sydney and regional NSW.

\$347m

Continued implementation of the Government's Decade of Decentralisation policy on office accommodation. To date there has been a reduction of 34,500m² of office space from the CBD, which has resulted in the relocation of 1,300 government employees to suburban and metropolitan areas.

Improvement in utilisation of office space from 16.1m²/FTE to 15.8m²/FTE for the total portfolio under GPNSW management.

Average rental increase of 1.1% for maintained leases in line with CPI inflation, representing continued control over the rental costs of the portfolio.

Total returns on the GPNSW Commercial Portfolio have increased in 2014/15 to 8.6%.

8.6%

Capex continues to reduce (\$72/m²), 12% down on the previous year and below industry benchmarks

12% ↓

Maintained very low vacancy rates for the owned commercial properties, outperforming in both the CBD (0% vacancy vs. benchmark of 6.3%), and the Metro areas (3.5% vs. benchmark of 9.5%).



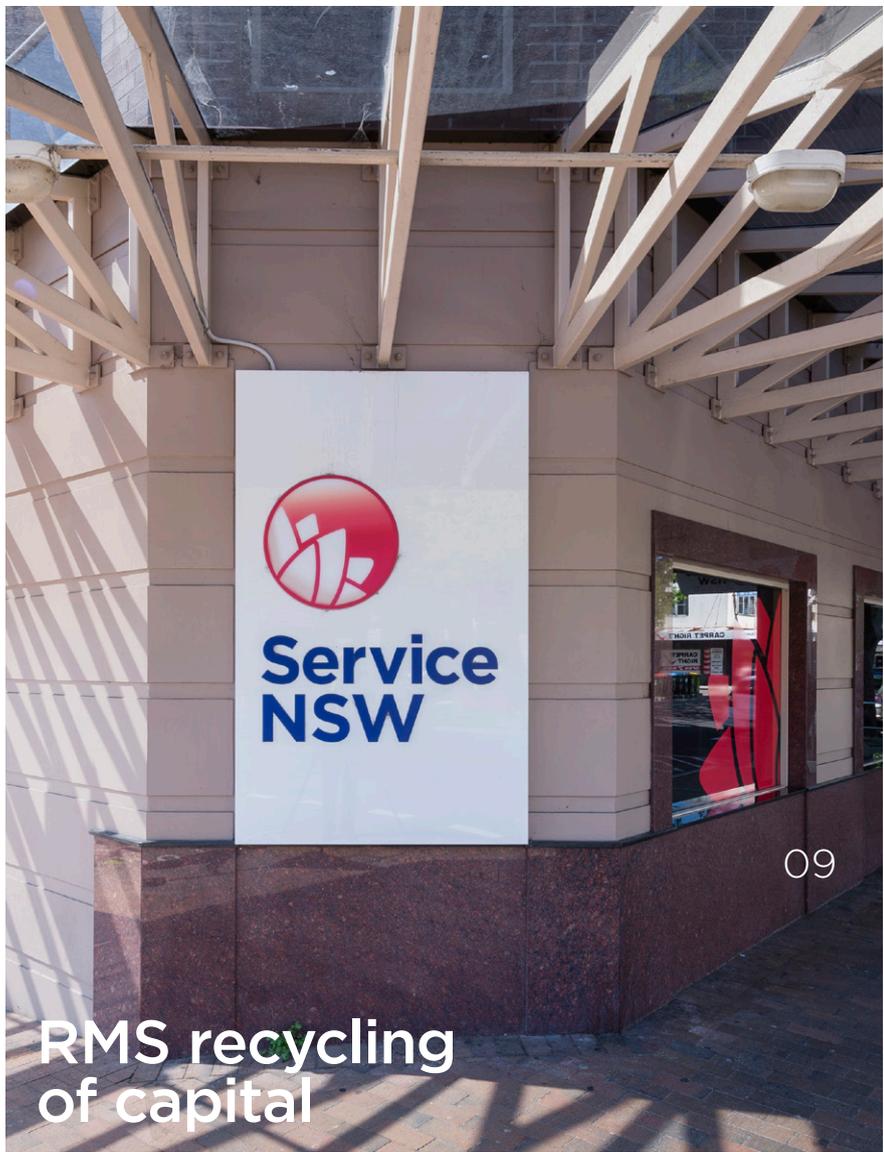
Our work

GPNSW's work encompasses a range of property skills and expertise which enables the success of projects which meet government objectives. Case studies of our work highlight our dedication to excellence in property.



GPNSW is playing a key role in delivering the funding for the roll out of the new one stop shop concept for government customer service on behalf of Service NSW and Roads and Maritime Services (RMS).

Consistent with its mandate to hold all generic assets on behalf of Government, a total of 126 RMS assets and leases were vested into GPNSW in 2014.



RMS recycling of capital

A sales program has been designed by GPNSW having regard to the operational requirements of both RMS and Service NSW and the financial targets required to meet the funding needs to deliver the one stop shop program.

Sites deemed surplus to requirements have been sold with vacant possession and the remainder with long term leasebacks (generally 5+5+5 year lease agreements). For sites required for ongoing operations, GPNSW, RMS and Service NSW worked closely to ensure lease structures were developed to ensure operations continue seamlessly. For vacant sites, the parties ensured the timing of the disposals were in line with the overall program of closure announcements.

Tranche 1 of the program had a financial target of \$16m for 2014/15. GPNSW delivered \$46m in sales for this period. This represents a significant financial contribution towards the delivery of this key, whole-of-government program, and it's an example of a government asset recycling program successfully unlocking capital for reinvestment into key service delivery.



Parramatta Justice Precinct

10

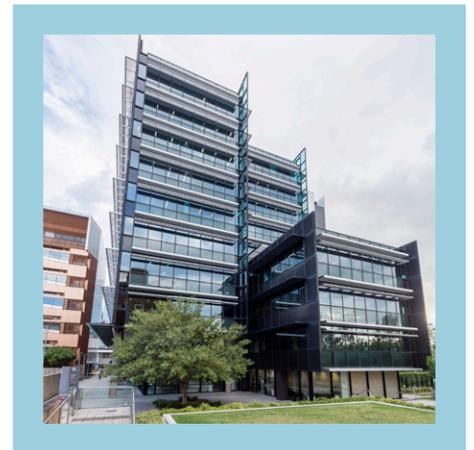
The Parramatta Justice Precinct is a large parcel of NSW Government owned land situated in the north western corner of the Parramatta CBD.

Working in consultation with the occupant agencies, the sale of 160 Marsden Street and 4 George Street by GPNSW, backed by a 15 year leaseback, was completed in June 2015.

To achieve the sale price of \$170.1 million, GPNSW addressed a number of challenges, including:

- Subdivision of the Justice Precinct from a single site into lots capable of divestment,
- Separation of common services and facilities within the Precinct through a mix of facilities management, contract renegotiation and physical separation of services.

Of the residual precinct site, lots 34 and 35 have the potential for further development. GPNSW is addressing the existing planning constraints that, once addressed, will significantly increase the sites' development potential and value.

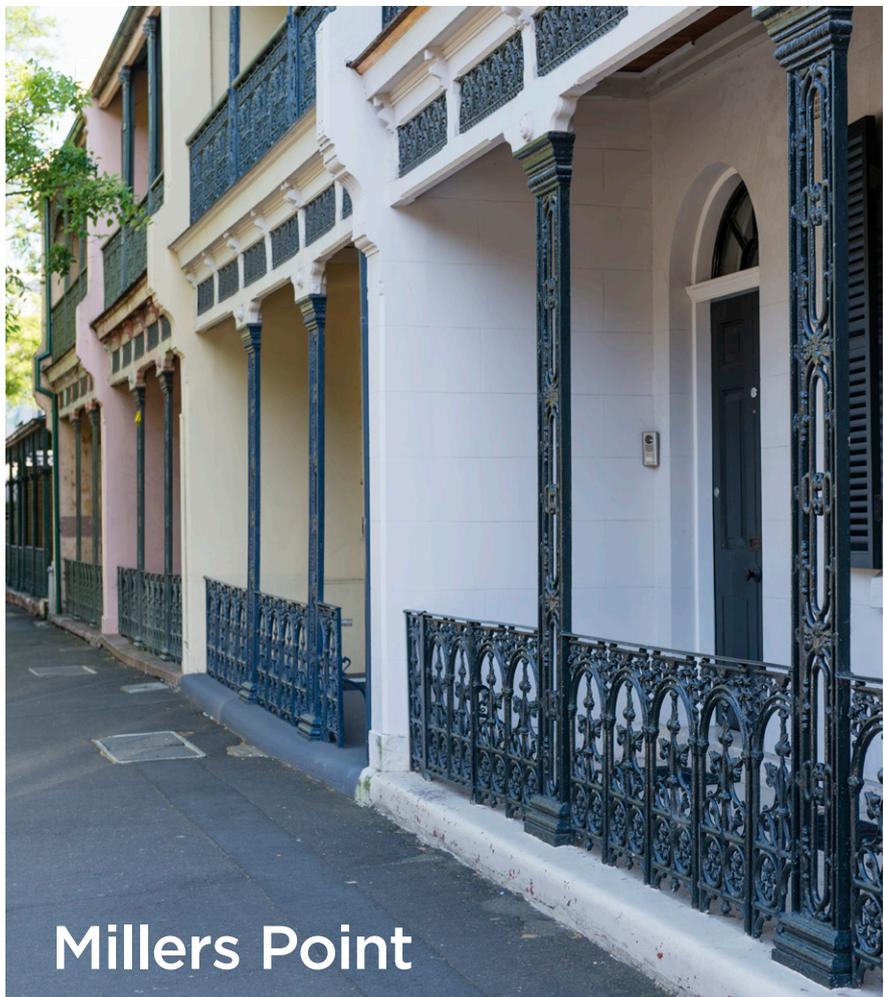


GPNSW is managing the sale of over 290 government owned properties in Millers Point. During the financial year 19 properties were sold or exchanged, generating proceeds of over \$43m. The ongoing auctions in Millers Point and The Rocks are part of the NSW Government's initiative to sell government-owned heritage housing and reinvest proceeds into the supply of over 1,500 new social housing dwellings across Sydney and regional NSW.

The Department of Family and Community Services (FaCS) owned 293 former social housing properties in Millers Point and The Rocks. Millers Point includes a mix of property types, terraces and apartments, including the Sirius Building. Most of the properties have been owned by the Government for over 100 years; 214 are heritage listed and there are many long term residents still in occupation at Millers Point.

The age and heritage of these properties resulted in an annual maintenance bill significantly higher than the average for the rest of the State (\$14,500 per property compared to a State average of \$3,000 – \$3,500). In addition, there are over 58,000 people on the social housing waiting list. The total sales estimate for all Millers Point properties is circa \$500m which means that for every property sold, three modern social housing dwellings can be built.

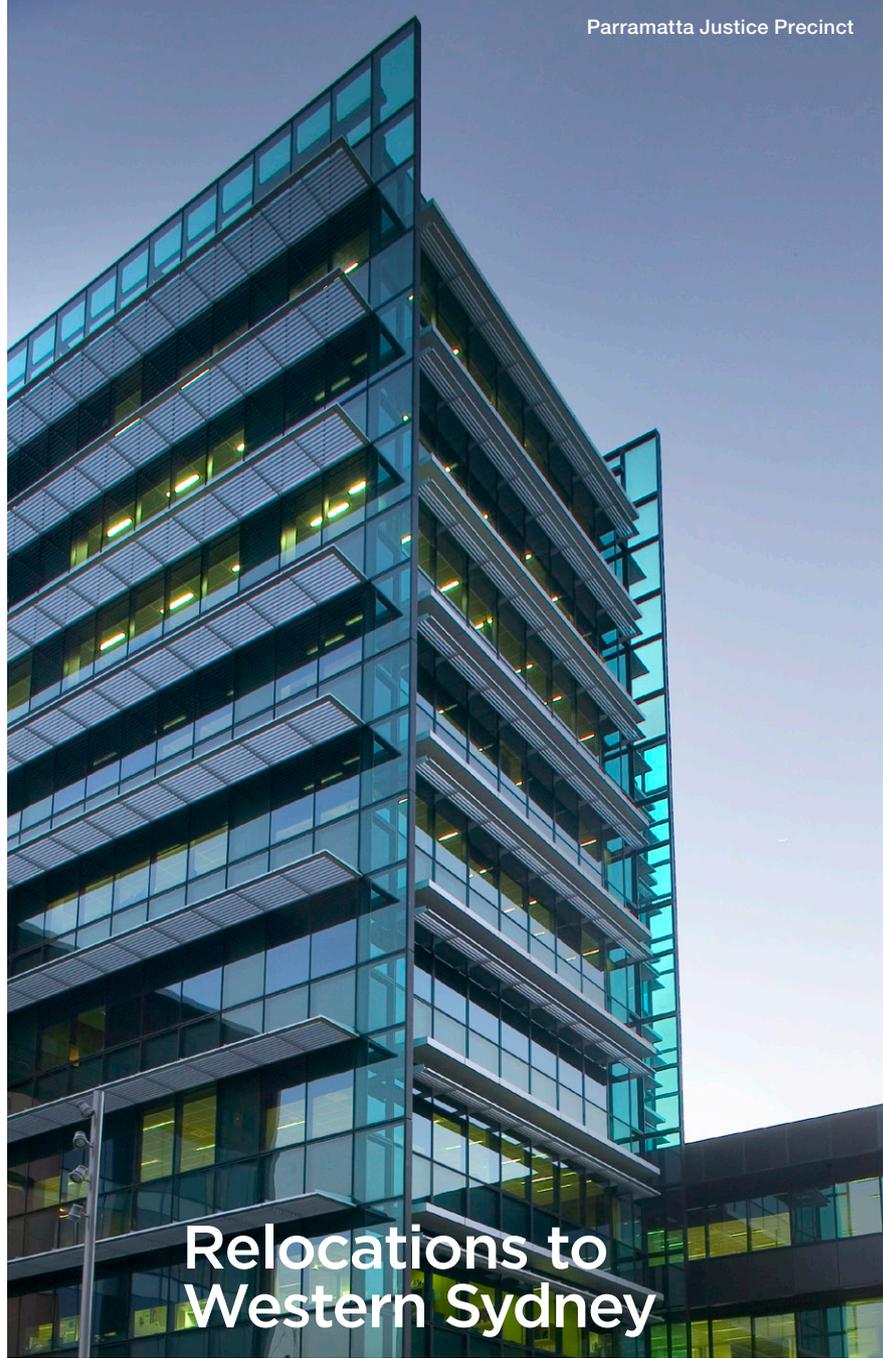
The Government plans to sell the remaining 274 properties, including developing divestment strategies for the larger group properties. Importantly, all heritage listed properties are sold with a conservation management plan endorsed by the NSW Heritage Council.



In addition, GPNSW developed the precinct marketing plan including launching the website rediscovermillerspoint.com.au, created standard and consistent templates for property sales and developed a sales strategy that utilised a number of different property agents. This increased market exposure and involved considered timing for releasing the properties to market to maximise value.

During the financial year FaCS had already commenced recycling the proceeds from the sales into building new social housing dwellings across Sydney and regional NSW. The proceeds of the remaining sales will continue to be reinvested back into the community, to provide more social housing.





Relocations to Western Sydney

GPNSW is one of the lead agencies that has been tasked to monitor and implement Government's Decade of Decentralisation Policy. The aim of the policy is to relocate public sector jobs from the Sydney CBD and Greater Sydney area to metropolitan and regional locations with a particular focus on Western Sydney. Government's target is to relocate and consolidate more than 3,000 public servants to new offices in Liverpool, Penrith and Parramatta to stimulate economic growth and long-term job generation.

GPNSW has specialist resources from our Leasing and Major Projects teams who are currently working closely with the nominated NSW Government departments to ensure their relocation requirements are met and Government's targets are achieved.

In 2014/15, GPNSW Leasing acted on a variety of matters relating to relocation including:

Liverpool

Our team sought proposals from the private sector to deliver a new building with a requirement for 5,000m² of office space in Liverpool. A preferred party was selected and capital expenditure was approved to relocate functions of the Department of Family and Community Services to the new building. The new building is scheduled to be delivered by February 2017 and will house around 350 staff.

Penrith

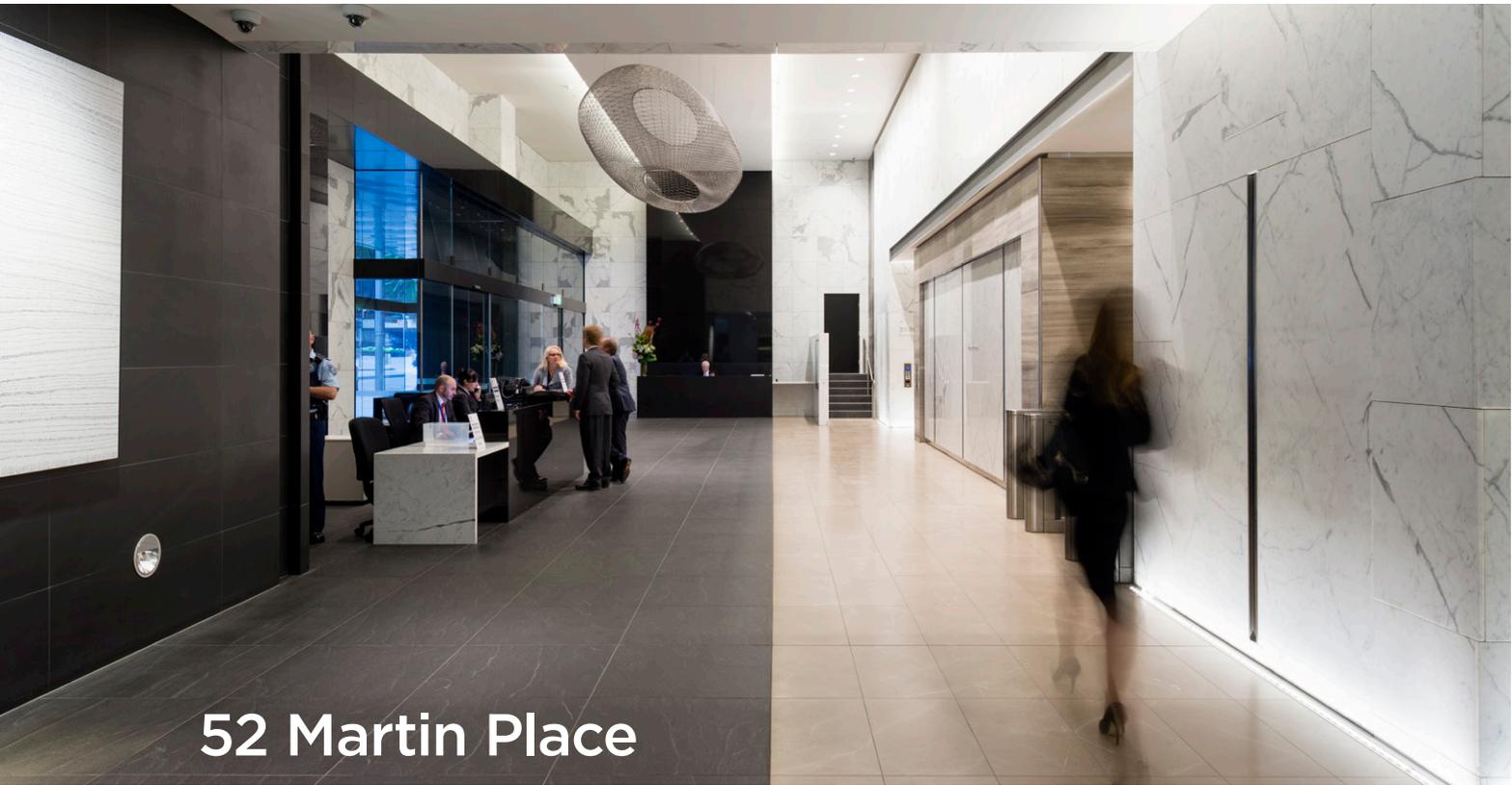
Our team sought proposals from the private sector to deliver a new building for the Office of Sport with a requirement for 5,000m² of office space in Penrith. These proposals are currently being assessed with the building on schedule to be delivered in 2017/18.

Parramatta

Our team is currently working with the Office of State Revenue and the Office of Environment and Heritage to relocate and consolidate their operations into the Parramatta Justice Precinct with a pre-commitment to lease up to circa 32,000m² by early 2019 (which includes over 2,500 jobs).

GPNSW's team also worked closely with Multicultural NSW on a plan to relocate Multicultural NSW from the Sydney CBD to Parramatta. This will result in a further 70 employees relocating out of the CBD during 2016/17.

In total, GPNSW Leasing is currently involved in the relocation of around 3,070 jobs to new buildings in Western Sydney.



52 Martin Place



In early 2013, the Government endorsed the relocation of the Ministry, Department of Premier and Cabinet (DPC) and NSW Treasury (Treasury) to 52 Martin Place. GPNSW oversaw the implementation of this circa \$45m project in conjunction with NSW Public Works.

Notable achievements included:

- Providing a \$90m saving in rental costs over the initial term of the lease.
- Transitioning DPC and Treasury from a very traditional static work environment to a modern agile workplace.
- Delivering 5000m² of base building refurbishment and 20,000m² of specialised fit-out in an occupied building within tight budgetary and time constraints.

The project involved extensive consultation with relocating agencies, including existing building occupants (including a live television broadcast studio), the building owner and manager.

Twenty floors of office space was refurbished accommodating in excess of 1,250 staff. The new workspaces are modern and collaborative, and allow staff to choose adaptive workspaces to suit their requirements.

Our divisions

GPNSW has seven divisions which are set up to complement the organisation's objectives.

14

Major Projects

Our Major Projects team is responsible for the strategic evaluation, coordination and management of large scale or complex acquisitions, repositioning and divestment transactions.

Its activity supports Government's commitment to recycling capital through optimising the utilisation of Government owned or tenanted property, or utilising the proceeds from the sale of non-core, surplus assets, to invest in improved community services and infrastructure. To achieve this, Major Projects focuses on whole-of-government engagement and net benefit.

Its work includes projects outside the scope of Government agencies' capital investment programs. Examples of Major Projects work include:

- **Royal North Shore Hospital** – Assisting the Department of Health with execution of the sale and leaseback program for land excess to core service delivery.
- **Sandstone Precinct** – Management of the expression of interest and tender process for the proposed sale of the Department of Education and Department of Lands buildings located on Bridge Street, Sydney, for redevelopment as a hotel.
- **Rail Operation Centre** – Project management of Sydney Trains' network operation relocation into purpose built, best practice facilities.
- **Projects of significance such as the Parramatta Justice Precinct** – see earlier case study.



Commercial Transactions

Our Commercial Transactions team is responsible for the evaluation, planning and delivery of property acquisitions and disposals on behalf of government agencies across a wide spectrum of projects and portfolios that are not classified as Major Projects. In addition, this group provides strategic and expert advice to government and agencies on timing, value maximisation and execution of acquisition and disposal transactions.

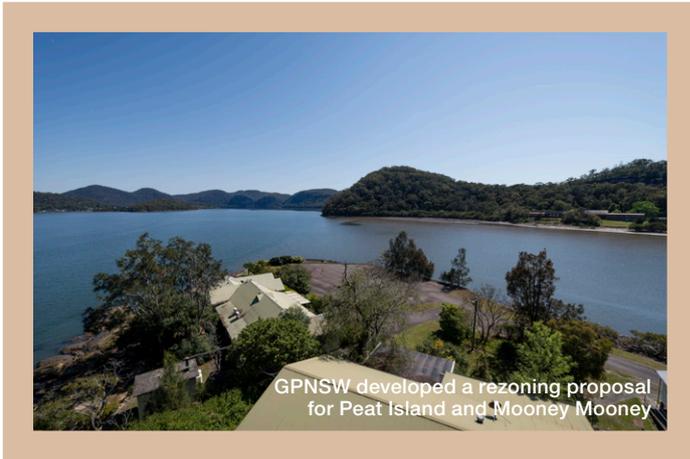
The Commercial Transactions team provides a full range of divestment project management services including pre-sale due diligence investigations, feasibility studies and investment analysis, engagement and management of consultants, preparation of sale contracts and tender documents, implementation of marketing strategies and divestment programs, exchange of contracts for sale and settlements.

Acquisition services and professional advice encompasses assisting clients with their strategic property needs, ranging from single property transactions through to the delivery of whole programs and portfolios. Acquisitions can be via the open market or by statutory processes.

The Commercial Transactions team also assist in mitigating risks associated with contaminated land, hazardous materials, heritage properties, and properties containing threatened species.

Examples of transactions and projects undertaken by the team include:

- **237 Wharf Road, Newcastle** – This office building, fully leased to the NSW Government for 10 years, was sold in December 2014 for \$14.9m.
- **Caddens Land** – Facilitating the sale of 13.5Ha of vacant land in the Caddens Release Area, realising \$17m for Government.
- **357 Glebe Point Road, Glebe** – This former juvenile detention centre was sold in December 2014 for \$33m with a leaseback to Government for two years. The site, which includes an office block, was marketed as a potential residential development.
- **12 Shirley Street, Wollstonecraft** – A site area of 1,712m², consisting of two freehold single level office buildings and a detached garage, sold for \$5.5m.
- **Other projects such as Millers Point and the RMS recycling of capital** – see earlier case studies.



Portfolio Management Group

The Portfolio Management Group (PMG) is responsible for delivering best in class asset management of Government owned and leased properties. A number of new services have been incorporated into PMG, including vesting, preparation of town plans and environmental management.

GPNSW provides a range of Statutory Acquisitions Services and in the 2014/15 financial year vested a total of 105 land parcels and 45 leases and licenses from government agencies to GPNSW.

PMG has also assumed responsibilities for Waste Assets Management Corporation (WAMC) and ground leases of the Botany, Newcastle and Kembla Ports, providing specialist property management.

GPNSW has now established a dedicated environmental capability to assist in managing its regulatory responsibilities under various environmental laws, including the management of contaminated sites and fulfilment of environmental obligations attached to our properties, assets and remediation projects. Recent successes in this area include the development of a risk-based program for managing contaminated sites and provision of environmental support to other agencies.

PMG’s environmental sustainability achievements during the reporting year include:

- >200,000m² of leased office space is now managed under a Green Lease.
- Two-thirds of larger leased offices achieved at least 4.5 stars NABERS Energy performance.
- Electricity consumption reduced by 3% across large owned offices.

In relation to capital works, the Building Refurbishment Program in 2014/15 has been targeted to make buildings safer for occupants and maintenance contractors. Conservation works recently completed at 35-39 Bridge Street, Sydney, and at 52 Vaucluse Road, Vaucluse, have both been nominated by external agencies for conservation excellence awards.

Leasing

Our Leasing team has two discrete functions to assist agencies to deliver their front line services to the community of NSW. Agencies across NSW lodge their intentions to renew, relocate or restructure their tenancies with GPNSW Leasing’s regulatory team and once an agreed strategy is in place, the implementation of that strategy is passed onto a team of transaction specialists.

The State Government is one of the single largest tenants in several markets across NSW and Leasing provides expertise and market experience to deliver value for Government in its accommodation requirements.

During 2014/15, examples of Leasing's achievements include:

- Over 450 requests under Premier's Memorandum 2012-20 were received and reviewed by the regulatory team; with these applications spanning across some 280,000m² of office space, approximately 25% of the GPNSW managed portfolio.
- Leasing was heavily involved in several major transactions and strategies relating to the implementation of the 'Decade of Decentralisation' policy, including the relocation of Government agencies from Sydney and North Sydney to locations such as Liverpool, Parramatta, Penrith, Gosford, Newcastle and Queanbeyan.

Strategy

GPNSW's Strategy team is responsible for a wide range of activities related to real property asset policy and long term capital planning. Specifically, these include:

- Reviewing significant Government property portfolios, for the purpose of identifying surplus assets for disposal.
- Developing and monitoring whole-of-government policy, including Decade of Decentralisation.
- Setting whole-of-government leasing strategy for its office accommodation.
- Establishing GPNSW's long term capital plan.
- Providing broad policy advice on how agencies across Government own and manage real property.



Operations

Our Operations team is responsible for providing high quality business support and corporate services to the GPNSW business units. Operations provide specialist services in information technology, business transformation, communications, human resource management, legal, risk and compliance management and other general business services.

Finance

Our Finance team is responsible for measuring and analysing the financial performance of the Agency, including the management of all financial data relating to owned real estate, managed leases and all projects undertaken by GPNSW. Our Finance team members are experts in property accounting and provide practical advice regarding the financial and accounting implications of accommodation strategies.

Our people

Leadership – our Executive team



The GPNSW Team

In the past year GPNSW has focused on building teams that live our values – quality, customer focus, expertise, innovation and integrity. Although our focus is on property, our teams are made up of diverse skill sets, facilitating a multi-disciplinary approach to problem solving.

As at 30 June 2015 GPNSW employed 186 people, including 72 women and 114 men, with 63 of our people employed on a contract basis, 85 permanent, with the remaining 38 employees either seconded, providing services as consultants or employed on Executive contracts.

Providing equal opportunities for women and men to develop their skills continues to be a focus for GPNSW. Of the 58 leadership roles, 21 are occupied by women and 37 by men.

GPNSW aims to operate at least as efficiently as private enterprise and, in line with our values to deliver services that are of the highest quality. Workplace culture is an important part of how GPNSW carries out its business, maintains consistency of performance and ultimately delivers the best results for Government.

BRETT NEWMAN Chief Executive Officer

Brett joined GPNSW as Chief Executive Officer in April 2013. He leads the NSW Government's owned and leased property portfolio, which generates revenues in excess of \$500m per annum. Brett is Chair of the Teachers Housing Authority and the Strategic Property Transactions Committee. He is on the Board of the Sydney Harbour Foreshore Authority and participates in a number of government wide strategic steering committees including for TAFE NSW, Crown Lands Review and Service NSW.

Prior to leading GPNSW, Brett held a number of senior executive positions including with organisations such as Blackstone, Westpac, Stockland, Challenger and Macquarie Bank.

SAM ROMANIUK Executive Director, Strategy

Sam has more than 20 years experience in strategy, portfolio management, corporate development and direct property investment. He leads the strategic asset property planning and analysis, and property strategies for agencies, across NSW Government. Before joining GPNSW in August 2013, Sam led Stockland's Business Development function for Residential as well as holding senior executive roles in its Strategy and Corporate Development team.

ANNA WELANYK Executive Director, Portfolio Management Group

Anna has extensive global experience leading teams in the planning and delivery of integrated real estate services as well as leading transformation programs, including business and services restructures. Since joining GPNSW in February 2014, Anna has delivered improvement programs delivering efficiencies in the leasing, management and maintenance of the Government's real estate portfolio. Anna has an impressive corporate real estate career which has involved leadership positions with a range of large corporates in Australia and overseas. Before joining GPNSW, Anna was based in London where she held various executive level positions with CBRE, including Head of Portfolio Management UK and EMEA.



DENNIS SZABO
Executive Director, Commercial Transactions

Dennis has over 20 years experience in professional services funds management and corporate real estate. Dennis has led our Commercial Transactions team through a period of significant change and success. Dennis joined GPNSW in January 2014 with a background including senior roles with Westpac and Pricewaterhouse-Coopers.

LEON WALKER
Executive Director, Major Projects

Leon has a strong background as an experienced chief operating officer, fund manager and project financier, having held executive positions with Mirvac and Macquarie Group, domestically and abroad, across industry sectors including property, banking and infrastructure. Leon is experienced in the effective management of business operations and corporate governance processes, the development of high performing teams, management of large business transformation projects, and complex matters.

COLIN WEST
Executive Director, Leasing

Colin's career in the Australian and International property market has spanned more than 30 years. He has held regional leadership positions in corporate property with American Express in the Australia, Asia Pacific and Subcontinent regions, and more recently as Head of Corporate Property for Lloyds Banking Group, in Australia. Colin joined GPNSW in January 2014 and oversees the procurement of leased property, including lease negotiation and management of the NSW Government's property portfolio.

DAVID LEAHY
Executive Director, Operations

David is a senior executive with over 18 years diverse experience across operational management, risk management, corporate governance, business and IT transformational change, business analysis and strategy. He joined GPNSW in January 2015 and leads the organisation's corporate services delivery and business transformation programs to support the delivery of GPNSW's services. David has extensive international experience in a variety of senior operational and program roles with KPMG in Sydney and Hong Kong; with Royal Bank of Scotland in London, Singapore and China; and most recently with SAP in Sydney.

STUART CRAWFORD
Executive Director, Strategic Finance Initiatives

Stuart has over 20 years experience in financial and operational management and has worked at the senior executive level in the property, private equity, investment banking and finance industries. Since joining GPNSW in July 2014, Stuart has managed the financial and managerial reporting for GPNSW's property portfolio and has provided practical advice to the agency and other stakeholders regarding the financial and accounting implications of property strategies.

Performance Overview

20

Commercial Portfolio Utilisation

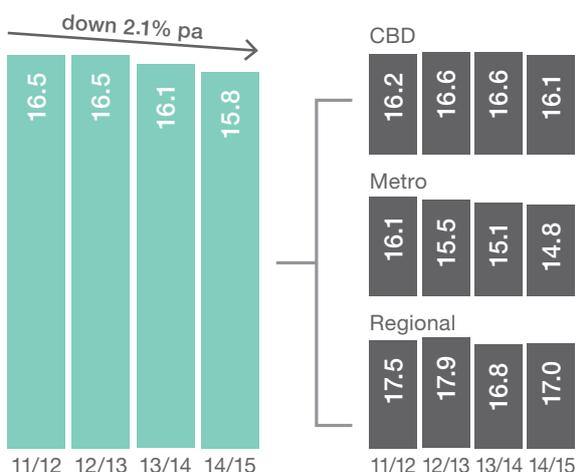
Our primary goal is to ensure that the property that we manage best supports core service delivery of agencies, by:

- Ensuring that space is well utilised; and
- Minimising rental cost by leveraging the bargaining power of GPNSW.

Utilisation¹: In 2014/15, the total portfolio under GPNSW management saw an improvement in utilisation² of office space from 16.1m²/FTE to 15.8m²/FTE. This covers both owned and leased properties, and is a result of improved GPNSW policies and processes. Through a better understanding of agency requirements, we have been able to implement a more robust assessment and approval process of space requirements for renewals and new leases.

During 2014/15, the largest improvements have been in CBD assets, which have seen a decrease of utilised space of 0.5m²/FTE on average. A 13m²/FTE is the NSW Government's long-term utilisation target, and the continued downward trend reflects the improved collaborative relationship between GPNSW and agencies to both recognise and deliver on opportunities for improved utilisation.

Utilisation excluding operational space (m²/FTE)



This improving utilisation has significant ongoing impacts on total rental cost as leases are renewed. Given the significant staffing base working in properties managed by GPNSW, the 0.3m²/FTE utilisation reduction achieved could represent over 15,000m² (approx. 2% of the leased portfolio) in reduced space. Note that some of these reductions have come through accommodating staff increases into the same space, but regardless, there is a significant future rental cost saving directly resulting from these improved utilisation rates.

For the GPNSW managed portfolio, including operational space, total utilised space per FTE in both the CBD (18.4m²/FTE) and Metro (17.6m²/FTE) portfolios is significantly below benchmark levels (19.6m²/FTE and 18.6m²/FTE respectively).

Leased Portfolio Rental Costs: As the size of the leased portfolio grows (through both asset sales and changing Government priorities), managing the average rental costs of commercial leases becomes increasingly important. GPNSW seeks to add value through employing a greater collective bargaining power than individual agencies would have in order to deliver both lower and more stable rental costs for Government.

In 2014/15, GPNSW facilitated accommodation changes in the CBD prime market, resulting in a decreased average rental cost from \$725/m² to \$570/m² for that class of occupation, a decrease of 27% as well as cost savings between 2-5% in North Sydney and Chatswood accommodation. This has been offset by increases in secondary and metro markets of between 2-5%. across the portfolio. Across the owned and managed portfolio there has been a marginal increase in the cost per square metre of 0.8%, well below the increase in the CPI for the year.

1. GPNSW uses accepted industry standards in calculating utilisation results. It should be noted that temporary vacancies due to lease expiries, building refurbishments, agency downsizing etc., can affect year-on-year figures; and that GPNSW numbers are reliant on the accuracy of agency staff numbers, which are collected annually through an employment survey.
 2. Utilisation target of 13m²/FTE implemented under ERC minute, are exclusive of operational space, and these figures reflect that.

Commercial Portfolio Performance

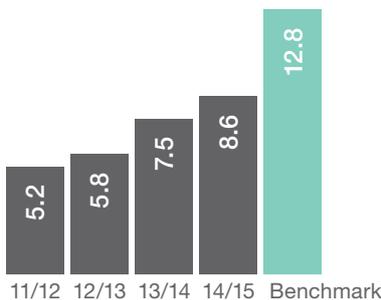
The core aim of GPNSW in property management is to ensure that property accommodation supports the core service delivery of the agencies. Across Government, this requires a certain level of property ownership, where service delivery is dependent on continuity of asset ownership and the ability to structure fit-outs and other accommodation arrangements to enhance the ability of the agency to deliver on its service requirements.

Accordingly, GPNSW seeks to manage returns and expenditures of capital assets as secondary and supporting goals, rather than optimising portfolio returns at the expense of wider objectives. Note that the asset performance included in this section contains only commercial properties to provide accurate comparisons to benchmarks.

Total returns from the commercial portfolio are difficult to compare consistently from year to year due to the changing nature of the portfolio within GPNSW. Despite this, total returns have been stable over the past three years, even though these remain below the IPD benchmark of 12.8%.

Total Returns (% pa)

Total Commercial Properties¹

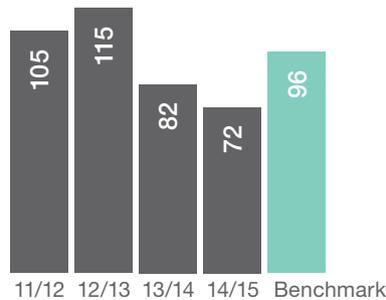


1. Returns have been calculated having regard to passing rents, capital expenditure and changes in market value. Total Commercial Properties Benchmark Source – IPD Australian Quarterly Digest for secondary office.

The five year rolling **Capital expenditure** on the commercial portfolio has fallen as GPNSW continues to focus on the capital maintenance on those assets identified as strategic assets required to be held for the long term or requiring immediate expenditure. In 2014/15, the five year rolling average for capex (\$72/m²) was below the benchmark.

Capital Expenditure (\$/m²)

Total Commercial Properties^{1,2}

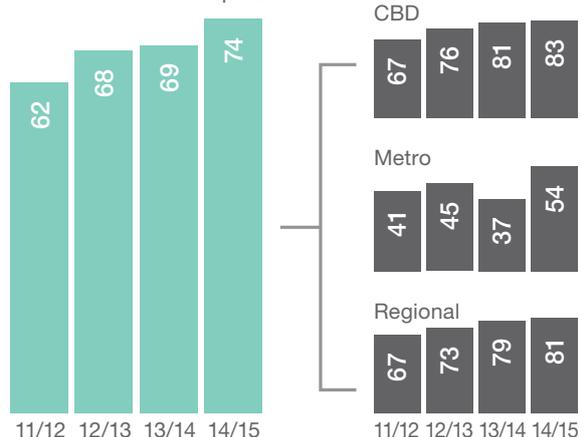


1. Capital expenditure includes expenditure related to items that are significant replacements or additions to existing properties.
2. The above performance results only include assets classified as 'owned operational'. Benchmark source – IPD 2014 increased by 2.5% indicative CPI.

GPNSW continues to focus on **Operating expenditure** for commercial assets and in 2014/15, average opex per square metre has increased broadly in line with market across the entire portfolio, due mainly to increased obligations on newly vested properties.

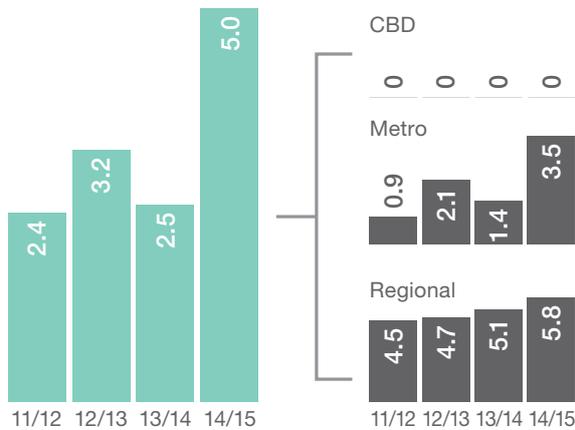
Operating Expenditure (\$/m²)

Total Commercial Properties



GPNSW has continued to maintain very low **vacancy rates** for the owned commercial properties with CBD vacancy at 0%^{3,4} vs. benchmark⁵ of 6.3%), and the Metro areas (3.5%⁴ vs. 9.5%⁶).

Vacancy (%)



In 2014/15, GPNSW recorded an operating surplus of \$43.9m against a budgeted surplus of \$18.7m. The \$25.2m favourable variance on budget was mainly due to a \$28.2m increase in Gain on Disposal offset by lower than budgeted Grants and Contributions Income. An analysis of GPNSW's operating result, including a summary of the 2014/15 budget, is further outlined in the following sections.

Financial distributions to Government comprised \$12.9m from surplus income on operations and \$52.3m from net asset sale proceeds. Total distributions exceeded budget by \$51.8m primarily due to higher than budgeted asset sale proceeds.

GPNSW retained a healthy balance sheet position at 30 June 2015 with the ratio of total assets to total liabilities standing at 3.6:1 (3.3:1 at 30 June 2014), the ratio of current assets to current liabilities at 4.2:1 (1.9:1 at 30 June 2014) and net assets totalling \$888.3m (\$761.3m at 30 June 2014). Net assets comprised total assets of \$1,234.5m (including \$593.2m in property assets) less total liabilities of \$346.1m. The \$127.0m increase in net assets against the budgeted amount was largely due to the net revaluation increment and gain on sale of property assets at 30 June 2015.

Capital program projects in 2014/15 comprised of works on the renewal and upgrading of owned buildings, works of a regulatory compliance nature, and other minor works on corporate systems and equipment purchases. Total capital expenditure of \$6.1m for the 2014/15 financial year was \$18.6m below the budget. The underspend resulted mainly from the reassessment of capital expenditure requirements in 2014/15 on owned property assets earmarked for potential divestment in the near future.

3. Excluding current vacancy in the Chief Secretaries Building – vacant pending review of best use.
 4. Source data: GPNSW from MRI database as at 30 June 2015.
 5. Sydney CBD Benchmark source – PCA CBD Vacancy Rate, July 2015.
 6. Metro (suburban) Benchmark Source – BIS Shrapnel Non CBD Vacancy Rate, December 2014.

Financial Performance

Financial Performance Summary

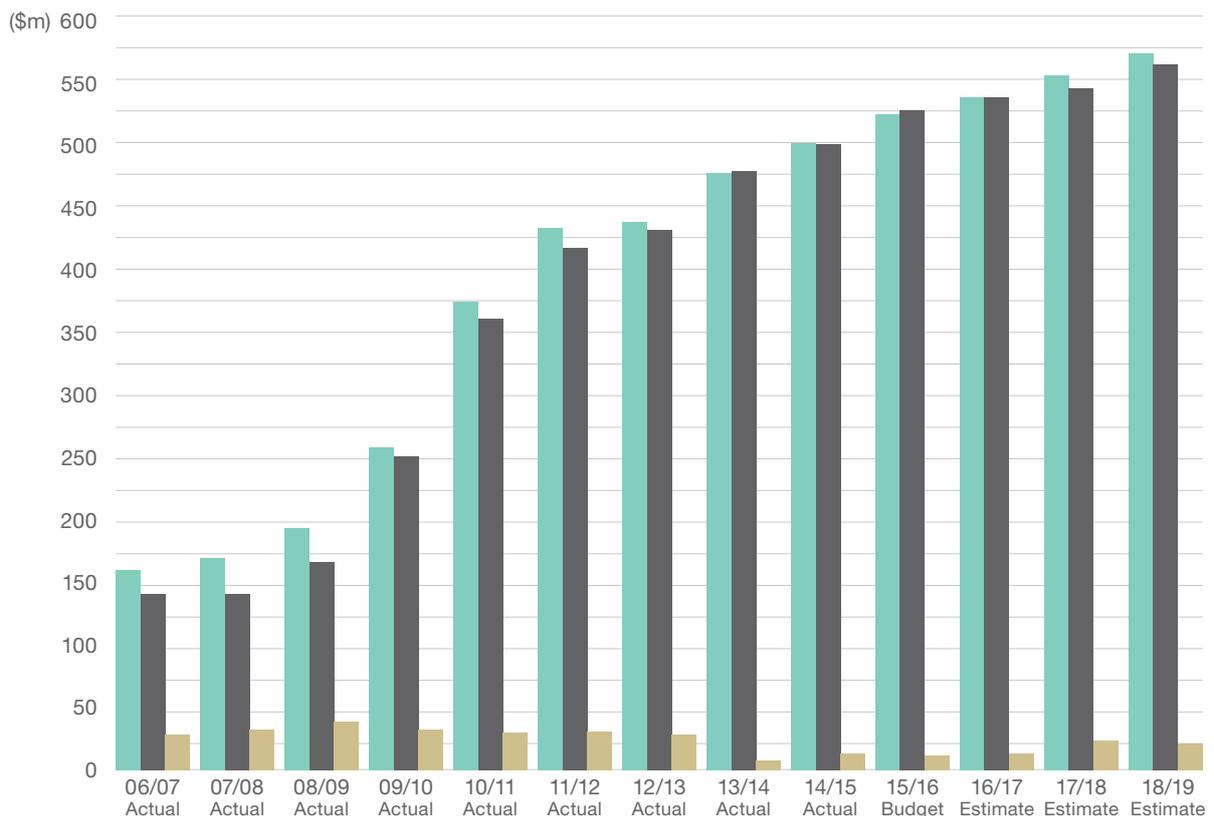
	2014/15 actual \$'000	2014/15 budget \$'000	Variance to budget \$'000	2015/16 budget \$'000
Operating result				
Expenses	501,659	499,957	(1,702)	528,477
Revenues	509,168	518,961	(9,793)	545,899
Other Gains/(Losses)	36,426	(300)	36,726	(300)
Net operating result – surplus/(deficit)	43,935	18,704	25,231	17,122
Financial distributions				
Normal Distribution	12,936	12,690	246	11,461
Capital Repatriation	52,393	763	51,630	169,546
Total Financial distributions	65,329	13,453	51,876	181,007
Financial position				
Total Assets	1,234,460	1,018,431	216,029	992,810
Total Liabilities	346,128	303,543	(42,585)	289,024
Net Assets/equity	888,332	714,888	173,444	703,786
Capital program				
Property Refurbishment & Other	6,145	22,185	(16,040)	20,573
Total capital program	6,145	22,185	(16,040)	20,573

Since its inception in September 2006, GPNSW’s core property management operation (formally within the State Property Authority) has experienced rapid and substantial growth in its financial operations. From the 66 owned properties and 49 leases originally vested from the former Crown Property Portfolio in July 2007, GPNSW’s total office accommodation portfolio at 30 June 2015 comprised of more than 220 owned properties and 690 active leases throughout regional NSW and the Sydney metropolitan area.

The following chart illustrates the actual growth in revenues and expenses to 30 June 2015 and the projected growth from 2015/16 to 2018/19 – based on the current property portfolio. Projections of revenues and expenses for 2015/16 and beyond do not factor in any additional owned or leased property vesting or owned property sales. Although it is likely GPNSW will undertake further vesting and sales transactions in 2015/16 and beyond, the financial impact of this could not be quantified at the time of budget and forward estimate development.

Operating revenues (excluding capital grants) have increased from \$160.0m in 2006/07 to \$502.3m in 2014/15 and are projected to increase to \$574.1m in 2018/19. Similarly, operating expenses have increased from \$141.1m in 2006/07 to \$501.7m in 2014/15 and are expected to increase to \$565.0m in 2018/19.

Financial Growth – 2006/07 to 2018/19



Operating Result

	2014/15 ACTUAL \$'000	2014/15 BUDGET \$'000	VARIANCE TO BUDGET \$'000	2015/16 BUDGET \$'000
Expenses				
Operating Expenses				
Personnel Services Expense	18,893	21,324	2,431	26,968
Other Operating Expenses				
Property Head Lease Expense	416,245	411,122	(5,123)	439,899
Other Property Related Expenses	28,045	27,870	(175)	28,232
Other	10,845	9,677	(1,168)	12,678
Grants and Subsidies	4,530	4,750	220	–
Depreciation and Amortisation	16,741	20,928	4,187	14,875
Finance Costs	6,360	4,286	(2,074)	5,825
Total Expenses	501,659	499,957	(1,702)	528,477
Revenues				
Sale of Goods and Services				
Property Lease Income	482,179	474,587	7,592	502,690
Fees for Services	2,889	4,078	(1,189)	5,427
Leasing Fees	–	884	(884)	4,731
Investment Revenue	6,130	6,067	63	6,260
Grants and Contributions				
Recurrent	10,658	10,660	(2)	5,668
Capital	6,812	22,185	(15,373)	20,573
Other Revenue	500	500	–	550
Total Revenues	509,168	518,961	(9,793)	545,899
Gains/(Losses) on disposal of assets	28,264	–	28,264	–
Other Gains/(Losses)	8,162	(300)	8,462	(300)
Net Operating Result – Surplus/(deficit)	43,935	18,704	25,231	17,122

In 2014/15, GPNSW recorded an operating surplus of \$43.9m against a budgeted surplus of \$18.7m, \$25.2m favourable to budget. This resulted mainly from:

- Owned Property Rental Income increased by \$2.0m due to the vesting of additional properties, mainly from RMS.
- Leased Properties Rental Income increased by \$3.6m due to the vesting of additional properties from RMS as well as new leases not budgeted for offset by additional rent free incentives/ abatements.
- Capital Grants Revenue decreased by \$15.3m due mainly to reductions on the Building Refurbishment Program and the Property Development Program.
- Employee Related Payments decreased by \$2.4m due mainly to timing of implementation of GPNSW's revised organisational structure.
- The change in estimate of the 52 Martin Place finance lease term (from 40 to 124.25 years from 1 January 1986) resulted in variations to budget relating to Finance Lease Charges and Depreciation and Amortisation.

Operating Budget Overview

The 2014/15 budget shown in the table on page 25 reflects GPNSW's original budget as published in the State Government's 2014/15 Budget Papers. The 2015/16 budget shown in the table on page 25 reflected GPNSW's approved budget as published in the State Government's 2015/16 Budget Papers. GPNSW's 2015/16 budget projects an operating surplus of \$17.1m, increasing to \$17.6m by 2018/19. The Underlying Operating Result, which excludes capital grant income and gains/losses on asset value changes, is projected to increase from a \$3.2m deficit in 2015/16 to a surplus of \$9.1m by 2018/19. This increase will be due mainly to minor increases in net revenue from owned properties, reduced personnel services expense funding after 2016/17 and lower amortisation costs from 2017/18. Budgeted total revenue of \$545.9m in 2015/16 includes \$498.5m in rental income received from GPNSW's stock of owned and leased office accommodation properties.

The forward year trend of increasing revenue is also dominated by growth in rental income (\$513.1m in 2016/17, growing to \$547.9m by 2018/19). The 2015/16 budget and forward year numbers assume moderate forecasts of anticipated upward movements in market rents. It is also assumed that total rental income received from owned assets will increase in line with expected market forecasts.

Total revenue in 2015/16 will also include increased leased property management fees, ongoing fee-for-service revenue and \$20.6m in capital contributions received from the Government of which \$10.7m will

be used to fund GPNSW's Building Refurbishment Program, \$6.7m under the Property Development Program for unplanned capital spend on vested properties and estate/value-add property earmarked for divestment and \$3.2m for various ICT related business process improvement initiatives under the Business Services Program. A further \$5.7m in recurrent contributions will be received from the Government to fund whole-of-government property related policy development and other services provided by GPNSW pursuant to its mandate under PM2012-20.

Fee-for-service revenue in 2015/16 will include \$5.1m in commercial property Divestment and Development Fees and \$4.7m in new Lease Transaction Fees under GPNSW's new Lease Management Fee model which will be implemented from 1 July 2015. To minimise fee impacts on an overall agency Cluster basis, Leased Property Management Fees will be reset from a variable 2.0% to 2.5% (depending on location) to a flat fee of 2.1% of gross rent.

Total expenses of \$528.5m are budgeted for 2015/16. The majority of these expenses relate to Government agency occupied office accommodation properties and include head lease rental payments of \$444.8m and other property related expenses (including outgoings, utilities, maintenance and depreciation) totalling \$33.4m. As with rental income, head lease rental expense dominates the increases in total expenses over the budget and forward years and the estimates also assume moderate upward movements in market rents.

Corporate operating expenses totalling \$49.4m in 2015/16 include \$27.0m in Personnel Services Expenses, \$8.1m in third party service provider property management fees and \$14.4m in other operating expenses and depreciation. The latter includes \$2.4m in office accommodation expenses, \$2.3m in DFSI Corporate Operating Model fees, \$1.0m in ServiceFirst shared services fees, \$0.6m in LPI fees associated with the Government Property Register and \$2.8m in direct transaction costs associated with divestment and development fee-for-service revenue projects.

The \$27.0m Personnel Services Expense represents an increase on the previous years. This increase is directly associated with GPNSW's new Organisation Restructure which was approved by the A/Chief Executive of DFSI in September 2014.

Future sale and leaseback transactions, which have been earmarked, will further reduce net operating results and cash surpluses. However, the financial impact of this is not included in the estimates as these impacts were not determinable at the time of budget finalisation. In addition to this, it should be noted that gains/losses on asset disposals or revaluations are not budgeted unless the forward financial impact of these events can be accurately quantified.

The Underlying Operating Result excludes asset gains/losses and capital grants and provides a more accurate reflection of GPNSW's operating performance. The trend in increased underlying surpluses over the forward estimate years is a direct result of the implementation of GPNSW's new funding model and the associated increases in net fee revenue from increased property transactions.

Independent Audit Outcome

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

The independent audit of GPNSW's financial statements was completed by the Audit Office of NSW on 18 September 2015. The Audit Office issued an unmodified Independent Auditor's Report on that date.

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

This page intentionally left blank

Appendix A

29

Financial statements

For the year ended 30 June 2015



INDEPENDENT AUDITOR'S REPORT

Government Property NSW

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of Government Property NSW (Government Property), which comprise the statement of financial position as at 30 June 2015, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

Opinion

30

In my opinion, the financial statements:

- give a true and fair view of the financial position of Government Property as at 30 June 2015, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

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

The Chief Executive Officer's Responsibility for the Financial Statements

The Chief Executive Officer is responsible for preparing financial statements that give a true and fair view in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Chief Executive Officer determines is necessary to enable the preparation of financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

My opinion does *not* provide assurance:

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

31

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. The PF&A Act further promotes independence by:

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



Weini Liao
Director, Financial Audit Services

18 September 2015
SYDNEY

Financial Statements

For the Year Ended 30 June 2015

Statement by the Chief Executive Officer

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

- 32
- (a) The accompanying financial statements exhibit a true and fair view of the financial position of Government Property NSW as at 30 June 2015 and the transactions for the year then ended.
 - (b) The financial statements comply with applicable Australian Accounting Standards (which include Australian Accounting Interpretations), the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2015*, and the Treasurer's Directions.

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



Brett Newman
Chief Executive Officer
Government Property NSW

SYDNEY
17 September 2015

Government Property NSW
Start of Audited Financial Statements
Statement of Comprehensive Income
For the Year Ended 30 June 2015

	Note	Actual 2015 \$'000	Budget 2015 \$'000	Actual 2014 \$'000
Expenses Excluding Losses				
Operating Expenses				
Personnel Services Expense	2(a)	18,893	21,324	19,804
Other Operating Expenses	2(b)	455,135	448,669	436,654
Depreciation and Amortisation	2(c)	16,741	20,928	16,562
Grants and Subsidies	2(d)	4,530	4,750	-
Finance Costs	2(e)	6,360	4,286	6,467
TOTAL EXPENSES EXCLUDING LOSSES		501,659	499,957	479,487
Revenue				
Sale of Goods and Services	3(a)	485,068	479,549	462,921
Investment Revenue	3(b)	6,130	6,067	7,822
Grants and Contributions	3(c)	17,470	32,845	23,668
Other Revenue	3(d)	500	500	450
Total Revenue		509,168	518,961	494,861
Gain/(Loss) on Disposal	4	28,264	-	18,302
Other Gains/(Losses)	5	8,162	(300)	2,921
Net Result		43,935	18,704	36,597
Other Comprehensive Income				
Items that will not be Reclassified to Net Result:				
Net Increase/(Decrease) in Property, Plant and Equipment Revaluation Surplus	17(b)(i)	46,984	-	47,460
Net Increase/(Decrease) in the Revaluation Surplus Arising from a Change in the Restoration Liability	15(b)	-	-	(485)
Total Other Comprehensive Income		46,984	-	46,975
TOTAL COMPREHENSIVE INCOME		90,919	18,704	83,572

33

[The accompanying notes form part of these financial statements]

Government Property NSW
Statement of Financial Position
As At 30 June 2015

Note	Actual 2015 \$'000	Budget 2015 \$'000	Actual 2014 \$'000
ASSETS			
Current Assets			
Cash and Cash Equivalents	6(a) 265,675	70,858	110,668
Receivables	7 70,076	48,473	53,901
Non-Current Assets Held For Sale	9 80,279	-	793
Total Current Assets	416,030	119,331	165,362
Non-Current Assets			
Receivables	7 218,540	236,077	213,518
Property, Plant and Equipment	8 593,175	656,047	701,941
Intangible Assets	10 865	1,176	932
Other	11 5,850	5,800	5,300
Total Non-Current Assets	818,430	899,100	921,691
TOTAL ASSETS	1,234,460	1,018,431	1,087,053
LIABILITIES			
Current Liabilities			
Payables	13 19,425	11,303	30,935
Borrowings	14 1,074	3,392	989
Provisions	15 69,941	57,030	50,032
Other Liabilities	16 8,476	8,852	3,497
Total Current Liabilities	98,916	80,577	85,453
Non-Current Liabilities			
Payables	13 5,338	-	2,455
Borrowings	14 35,265	33,470	36,338
Provisions	15 155,510	121,906	176,347
Other Liabilities	16 51,099	67,590	25,135
Total Non-Current Liabilities	247,212	222,966	240,275
TOTAL LIABILITIES	346,128	303,543	325,728
NET ASSETS	888,332	714,888	761,325
EQUITY			
Accumulated Funds	788,162	708,501	708,139
Asset Revaluation Reserve	17(b) 100,170	6,387	53,186
TOTAL EQUITY	888,332	714,888	761,325

[The accompanying notes form part of these financial statements]

Government Property NSW
Statement of Changes in Equity
For the Year Ended 30 June 2015

Note	Asset			Asset		
	Accumulated	Revaluation	Total	Accumulated	Revaluation	Total
	Funds	Reserve	Equity	Funds	Reserve	Equity
	2015	2015	2015	2014	2014	2014
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening Balance	708,139	53,186	761,325	708,428	6,211	714,639
Net Result for the Year	43,935	-	43,935	36,597	-	36,597
Other Comprehensive Income:						
Net Increase/(Decrease) in Property, Plant and Equipment Revaluation Surplus	-	46,984	46,984	-	47,460	47,460
Net Increase/(Decrease) in the Revaluation Surplus Arising from a Change in the Restoration Liability	-	-	-	-	(485)	(485)
Total Other Comprehensive Income	-	46,984	46,984	-	46,975	46,975
Total Comprehensive Income for the Year	43,935	46,984	90,919	36,597	46,975	83,572
Transactions with Owners as Owners						
Financial Distributions	(65,329)	-	(65,329)	(62,783)	-	(62,783)
Net Increase/(Decrease) in Net Assets from Equity Transfers	101,417	-	101,417	25,897	-	25,897
Total Transactions with Owners as Owners	36,088	-	36,088	(36,886)	-	(36,886)
Closing Balance	<u>788,162</u>	<u>100,170</u>	<u>888,332</u>	<u>708,139</u>	<u>53,186</u>	<u>761,325</u>

[The accompanying notes form part of these financial statements]

Government Property NSW

Statement of Cash Flows

For the Year Ended 30 June 2015

	Note	Actual 2015 \$'000	Budget 2015 \$'000	Actual 2014 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
Personnel Services		(19,009)	(21,324)	(20,602)
Finance Costs		(5,015)	(2,861)	(5,093)
Grants and Subsidies		(4,530)	(4,750)	-
Other		(458,472)	(469,138)	(481,986)
Total Payments		(487,026)	(498,073)	(507,681)
Receipts				
Sale of Goods and Services		477,621	478,542	468,470
Interest Received		6,164	6,229	8,342
Grants and Contributions		12,325	32,845	26,239
Total Receipts		496,110	517,616	503,051
NET CASH FLOWS FROM OPERATING ACTIVITIES	6(b)	9,084	19,543	(4,630)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of Property, Plant and Equipment		(6,596)	(26,489)	(20,934)
Proceeds from Sale of Property, Plant and Equipment		218,837	-	70,784
NET CASH FLOWS FROM INVESTING ACTIVITIES		212,241	(26,489)	49,850
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings and advances		(989)	(3,143)	(910)
Financial Distributions to the State Government	1(l)	(65,329)	(13,453)	(62,783)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(66,318)	(16,596)	(63,693)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		155,007	(23,542)	(18,473)
Opening Cash and Cash Equivalents		110,668	94,400	129,141
CLOSING CASH AND CASH EQUIVALENTS	6(a)	265,675	70,858	110,668

[The accompanying notes form part of these financial statements]

Government Property NSW

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

Government Property NSW (GPNSW) was established under the *Government Property NSW Act 2006* (the Act) to improve the management of the NSW Government's owned and leased real property portfolio and to become a central agency with a whole-of-government focus on the acquisition, disposition and better utilisation of real property assets. GPNSW 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. GPNSW is a not-for-profit entity as profit is not its principal objective. GPNSW is consolidated as part of the NSW Total State Sector Accounts.

Under the Act, GPNSW is unable to employ staff. However, to enable it to exercise its functions, GPNSW can obtain personnel services from Government agencies who are able to engage staff under Part 4 of the *Government Sector Employment Act 2013*. During 2014-15, personnel services were provided by the Office of Finance and Services (OFS) The OFS, an executive agency of the Treasury, is a separate reporting entity and does not control GPNSW for financial reporting purposes.

These financial statements have been authorised for issue by GPNSW's Chief Executive Officer on 17 September 2015.

(b) Basis of Preparation

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

- (i) applicable Australian Accounting Standards (which include Australian Accounting Interpretations);
- (ii) the requirements of the *Public Finance and Audit Act 1983* and *Public Finance and Audit Regulation 2015*; and
- (iii) the Financial Reporting Directions published in the Financial Reporting Code for NSW General Government Sector Entities or issued by the Treasurer.

Property, Plant and Equipment, Non-Current Assets Held for Sale and Other Non-Current Asset are measured at fair value. Other financial statement items are prepared in accordance with the historical cost convention except where specified otherwise.

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

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

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

(c) Statement of Compliance

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

(d) Borrowing Costs

Borrowing costs are recognised as expenses in the period in which they are incurred, in accordance with Treasury's Mandate to not-for-profit general government sector entities.

(e) Insurance

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

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

Government Property NSW

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Accounting for the Goods and Services Tax (GST)

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

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

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

(g) Income Recognition

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

(i) Operating Lease Income

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

(ii) Finance Lease Income

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

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

(iii) Fees for Services Rendered

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

(iv) Interest Income

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

(v) Grants and Contributions

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

Government Property NSW

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Income Recognition (Continued)

(vi) Emerging Asset Revenue

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

(h) Assets

(i) Acquisitions of Assets

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

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

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

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

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

(ii) Capitalisation Thresholds

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

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

(iii) Revaluation of Property, Plant and Equipment

Physical non-current assets are valued in accordance with the 'Valuation of Physical Non-Current Assets at Fair Value' Policy and Guidelines Paper (TPP 14-01). This policy adopts fair value in accordance with AASB 13 "Fair Value Measurement", AASB 116 "Property, Plant and Equipment" and AASB 140 "Investment Property".

Property, plant and equipment is measured at the highest and best use by market participants that is physically possible, legally permissible and financially feasible. The highest and best use must be available at a period that is not remote and take into account the characteristics of the asset being measured, including any socio-political restrictions imposed by government. In most cases, after taking into account these considerations, the highest and best use is the existing use. In limited circumstances, the highest and best use may be a feasible alternative use, where there are no restrictions on use or where there is a feasible higher restricted alternative use.

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs.

GPNSW revalues each class of property, plant and equipment on annual basis to ensure that the carrying amount of each asset in the class does not differ materially from its fair value at reporting date (Note 8(b)(i) and 8(b)(ii)).

Government Property NSW

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Assets (Continued)

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

Non-specialised assets with short useful lives are measured at depreciated historical cost, as an approximation of fair value.

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

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

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

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

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

(iv) Impairment of Property, Plant and Equipment

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

(v) Depreciation of Property, Plant and Equipment

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

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

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

Government Property NSW

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Assets (Continued)

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

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

	2015 Years	2014 Years
Buildings (Not Componentised)	40	40
Buildings (Componentised)		
Structure	40	40
Air Conditioning Units	20	20
Lifts	30	30
Computer Equipment and Software	3	3
Furniture and Fittings	10	10
Plant and Equipment and Office Equipment	5	5
Leasehold Improvements	6	6

Leasehold Improvements are depreciated over the shorter of the lease term and their useful life. Heritage buildings are depreciated in accordance with the above useful life ranges. Finance Lease Assets are amortised over the period of the lease. Fine Arts and Heritage items located within owned buildings are not depreciated as they do not have a limited useful life. These items are however subject to an annual impairment test to identify any impairment.

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

(vi) Restoration Costs

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

(vii) Maintenance

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

(viii) Leased Assets

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

(a) Finance Leases

Assets held under finance leases as lessee are recognised on inception at an amount equal to the fair value of the leased property, or if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Statement of Financial Position as Finance Lease Liabilities under Borrowings (Note 14). Lease payments are allocated between the principal component of the lease liability and the interest expense.

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

Government Property NSW

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Assets (Continued)

(viii) Leased Assets (Continued)

(b) Operating Leases

Operating lease payments are recognised in the Net Result and charged on a straight-line basis over the lease term. Lease incentives received which are less than \$0.5 million are recognised directly in the Net Result in the year in which they are received. Lease incentives received which are greater than this amount are recognised in the Statement of Financial Position and are allocated to the Net Result over the lease term (Notes 16(a) and 2(b)).

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

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

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

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

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

(ix) Intangible Assets

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

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

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

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

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

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

(x) Cash and Cash Equivalents

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

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

Government Property NSW

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Assets (Continued)

(xi) Loans and Receivables

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

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

(xii) Impairment of Financial Assets

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

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

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

(xiii) Derecognition of Financial Assets and Financial Liabilities

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

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

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

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

(xiv) Non-Current Assets Held for Sale

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

(xv) Other Assets

Other assets are recognised on a cost basis.

(i) Liabilities

(i) Payables

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

Government Property NSW

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Liabilities (Continued)

(ii) Borrowings

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

(iii) Provisions

(a) Personnel Services Provision

GPNSW receives personnel services from the Office of Finance and Services (OFS). The OFS is not a Special Purpose Service Entity and does not control GPNSW under this arrangement (Note 1(a)). As GPNSW is not an employer, the disclosure requirements of AASB 119 "Employee Benefits" in respect of employee benefits do not apply. However, for clarity and transparency, a Personnel Services Provision is disclosed in the notes to the financial statements where the substance of the underlying liability effectively represents employee benefits (Note 15(a)).

(b) Land Remediation Provision

Where GPNSW has a legal or constructive obligation to remediate an asset such as land, a provision is recognised to reflect the net present value of the estimated future costs required to settle GPNSW's remediation obligations (Note 15(b)). At the same time, where GPNSW owns the underlying asset, the amount of the provision is capitalised and added to the cost of the asset.

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

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

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

(c) Other Provisions

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

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation as at the reporting date, taking into account the risks and uncertainties that surround the events and circumstances that affect the provision. Where the effect of the time value of money is material, the provision amount is calculated as the present value of the expenditure expected to be required to settle the obligation. The discount rate used in the calculation is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The rate does not reflect risks for which future cash flow estimates have been adjusted.

Government Property NSW

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Fair Value Hierarchy

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

- Level 1 - quoted prices in active markets for identical assets / liabilities that the entity can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.
- Level 3 – inputs that are not based on observable market data (unobservable inputs).

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

Refer to Note 12 and Note 20 for further disclosures regarding fair value measurements of financial and non-financial assets.

(k) Equity and Reserves

(i) Accumulated Funds

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

(ii) Asset Revaluation Reserve

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

(l) Financial Distributions

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

The nature and calculation of the required annual distributions is determined by NSW Treasury Policy and Guidelines Paper, TPP 14-04 "Financial Distribution Policy for Government Businesses". The distributions made by GPNSW include normal distribution payments from cash operating surpluses and 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 are additional one-off payments which represent capital repayments of the State Government's equity in GPNSW. In GPNSW's case, capital repatriation payments represent the full return of the net proceeds (ie. total proceeds less costs) of all GPNSW-owned property sales (Note 17(a)).

Government Property NSW

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Equity Transfers

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

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

(n) Budgeted Amounts

46

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the reporting period. Subsequent amendments to the original budget (e.g. adjustment for transfer of functions between entities as a result of administrative arrangements orders) are not reflected in the budgeted amounts. Major variances between the original budgeted amounts and the actual amounts disclosed in the primary financial statements are explained in Note 21.

(o) Comparative Information

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

(p) Changes in Accounting Policy, including New or Revised Australian Accounting Standards

(i) Effective for the First Time in 2014-15

The accounting policies applied in 2014-15 are consistent with those of the previous financial year.

The following new or revised Australian Accounting Standards were applied for the first time in 2014-15:

- AASB 10 "Consolidated Financial Statements"
- AASB 11 "Joint Arrangements"
- AASB 12 "Disclosure of Interests in Other Entities"
- AASB 1055 "Budgetary Reporting"

There was no material impact on the financial result of GPNSW from these Standards in the period of initial application.

(ii) Issued but Not Yet Effective

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

There are a number of recently issued or amended Australian Accounting Standards and Interpretations which are not yet effective and have not been adopted for the reporting period ending 30 June 2015. Management has reviewed each of these Standards and Interpretations and considers that their early adoption will not have any material impact on the financial results of GPNSW.

Government Property NSW

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2015

2. EXPENSES EXCLUDING LOSSES	2015	2014
	\$'000	\$'000
(a) Personnel Services Expense (i)		
Salaries and Wages (Including Recreation Leave)	11,952	13,708
Contractors	4,965	3,029
Superannuation (Defined Benefit Plans) (ii)	227	1,066
Superannuation (Defined Contribution Plans)	792	909
Long Service Leave	204	144
Worker's Compensation Insurance	55	111
Payroll Tax and Fringe Benefits Tax	698	837
	18,893	19,804

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

(ii) The Superannuation (Defined Benefits Plans) expense includes a net decrease of \$0.1 million in the unfunded liability at 30 June 2015 (\$0.6m increase at 30 June 2014) in respect of personnel who are members of these Plans (Note 15(a)(i)). This decrease includes net gains of \$0.7 million (\$0.3m net losses in 2013-14) related to a combination of actuarial losses and actual return on fund assets, less interest income. The decrease is recognised directly in the Net Result under Personnel Services Expense.

47

(b) Other Operating Expenses	2015	2014
	\$'000	\$'000
Property Head Lease Expense (i)	416,245	405,774
Other Property Related Expenses (ii)	28,045	26,206
Other Operating Expenses (iii)	10,845	4,674
	455,135	436,654

(i) Property Head Lease Expense	2015	2014
	\$'000	\$'000
Minimum Lease Payments (a)	341,074	323,135
Rental Expenses Arising from Sub-Leases (b)	65,273	65,814
Contingent Rentals (c)	19,194	23,851
	425,541	412,800
Less Amortisation of Lessor Lease Incentives (Note 16(a))	(9,296)	(7,026)
	416,245	405,774

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

The net increase in property head lease expense over 2013-14 has resulted mainly from GPNSW's program of vesting leased properties from other government agencies during 2014-15, pursuant to Premier's Memorandum M2012-20 "Government Property NSW (previously State Property Authority) and Government Property Principles".

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

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

Government Property NSW

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2015

2. EXPENSES EXCLUDING LOSSES (CONTINUED)

(b) Other Operating Expenses (Continued)

(ii) Other Property Related Expenses

	2015	2014
	\$'000	\$'000
Management Fees	7,590	7,227
Gas and Electricity	3,250	3,818
Maintenance (a)	7,011	5,118
Cleaning	2,626	2,475
Rates and Levies	269	1,773
Security	899	710
Valuations	635	255
Bad Debts	213	59
Other (b)	5,552	4,771
	28,045	26,206

(a) Maintenance expenses relate to owned properties and includes ad-hoc and scheduled maintenance services on lifts, air conditioning units, fire protection systems, plumbing, electrical and other areas. There was no personnel services maintenance expense in 2014-15 (nil in 2013-14).

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

(iii) Other Operating Expenses

	2015	2014
	\$'000	\$'000
Audit Fees (Audit of Financial Statements)	194	189
Legal Fees	60	16
Consultants	1,436	192
Office Accommodation Expenses	1,818	1,429
Other Contractors	1,733	-
Service Fees (a)	3,970	1,510
Other (b)	1,634	1,338
	10,845	4,674

(a) Service Fees include fees charged by ServiceFirst for shared transactional services, by OFS for corporate services provided under the OFS Corporate Operating Model arrangements and by Land and Property Information for system hosting services provided in relation to the Government Property Register. The increase over 2013-14 was mainly due to a \$1.8 million increase in the OFS Corporate Operating Model charge in 2014-15.

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

(c) Depreciation and Amortisation

	2015	2014
	\$'000	\$'000
Depreciation of Property, Plant and Equipment (Note 8(b))	13,705	13,468
Depreciation of Finance Lease Assets (Note 8(b))	2,424	2,361
Amortisation of Intangible Assets (Note 10(b))	612	733
	16,741	16,562

(d) Grants and Subsidies

	2015	2014
	\$'000	\$'000
Grants to Other Government Agencies (i)	4,530	-
	4,530	-

(i) Grants of \$4.5 million in 2014-15 represent payments made to various government agencies for office relocation costs under the Government's CBD Backfill Strategy (Note 3(c)(i)).

Government Property NSW

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2015

2. EXPENSES EXCLUDING LOSSES (CONTINUED)

(e) Finance Costs	2015 \$'000	2014 \$'000
Finance Lease Interest Charges (Note 14(a))	5,015	5,093
Unwinding of Discount Rate on Make Good Provision (Note 15(c))	12	8
Unwinding of Discount Rate on Land Remediation Provision (Note 15(b))	1,333	1,366
	6,360	6,467

3. REVENUE

(a) Sale of Goods and Services	2015 \$'000	2014 \$'000
Property Rental Income - Operating Lease Income (i)	482,179	461,592
Fees for Services Rendered	2,889	1,329
	485,068	462,921

(i) Property Rental Income - Operating Lease Income	2015 \$'000	2014 \$'000
Owned Property Income	55,551	53,472
Leased Property Income	435,649	414,596
Less: Amortisation of Lessee Lease Incentives (Note 7(c))	(9,021)	(6,476)
	482,179	461,592

The net increase in rental income over 2013-14 has resulted mainly from GPNSW's program of vesting owned and leased properties from other government agencies during 2014-15 pursuant to Premier's Memorandum M2012-20 "Government Property NSW (previously State Property Authority) and Government Property Principles".

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

Receivable within one year	41,191	51,651
Receivable later than 1 year but not later than 5 years	21,231	26,832
Receivable later than 5 years	934	1,091
Total Including GST	63,356	79,574

The above represents future minimum lease receipts on GPNSW's owned properties. Future minimum lease receipts as at 30 June 2015 include GST payable of \$5.7 million (\$7.2m at 30 June 2014).

(b) Investment Revenue	2015 \$'000	2014 \$'000
Property Finance Lease Income ((i) and Note 7(b))	5,218	6,815
Interest Earned (ii)	912	1,007
	6,130	7,822

(i) Income from finance leases as lessor includes contingent rent of \$0.5 million in 2014-15 (\$0.7m in 2013-14). Contingent rent is calculated as the difference between the current lease payments and the minimum lease payments which were determined at the initial recognition of the finance lease arrangement.

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

(c) Grants and Contributions	2015 \$'000	2014 \$'000
State Government - Recurrent Contribution (i)	10,658	6,770
State Government - Capital Contribution (ii)	6,812	16,898
	17,470	23,668

Government Property NSW

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2015

3. REVENUE (CONTINUED)

(c) Grants and Contributions (Continued)

- (i) GPNSW receives an annual recurrent contribution from the State Government for a range of non-commercial professional services undertaken which provide a whole-of-government benefit. These services include agency property portfolio reviews, whole-of-town studies, property policy implementation and Government Property Register administration. In 2014-15, GPNSW also received a contribution of \$4.8 million (nil in 2013-14) to fund various government agency office relocations within the Sydney CBD (Note 2(d)(i)).
- (ii) GPNSW's approved Capital Program is fully funded by the State Government by way an annual capital contribution. The Program includes major works such as refurbishment, compliance and other asset renewal works included under GPNSW's Property Refurbishment Program.

(d) Other Revenue

50

	2015 \$'000	2014 \$'000
Emerging Asset Revenue ((i) and Note 11)	500	450
	500	450

- (i) In accordance with TPP 06-08 "Accounting for Privately Financed Projects", the Opera House Car Park is an emerging asset which GPNSW has a right to receive in 2043 under a privately financed infrastructure arrangement. The right is being recognised as revenue and added to the asset value over the term of the carpark concession (Note 11).

4. GAIN/(LOSS) ON DISPOSAL

	2015 \$'000	2014 \$'000
Net Proceeds from Disposal of Property, Plant and Equipment and Non-Current Assets Held for Sale	218,837	58,629
Written Down Value	(190,573)	(40,327)
Net Gain/(Loss) on Disposal	28,264	18,302

5. OTHER GAINS/(LOSSES)

	2015 \$'000	2014 \$'000
Net Gain/(Loss) on Revaluation of Property, Plant and Equipment ((i) and Note 8(b))	23,471	(736)
Net Loss due to Increase in Remediation Provision from Revised Estimate of Liability (Note 15(b))	(14,530)	-
Net Gain on Reassessment of Finance Lease Liability (Note 14(a))	-	4,679
Impairment Loss on Work in Progress - Project Costs Recoverable	(779)	(993)
Impairment Loss on Work in Progress - Property, Plant and Equipment (Note 8(b))	-	(29)
Other Gains/(Losses)	8,162	2,921

- (i) A net gain on revaluation of Property, Plant and Equipment of \$23.5 million in 2014-15 is recognised in the Net Result as it reversed revaluation decreases of the same class of assets previously recognised in the Net Result. A net loss on revaluation of Property, Plant and Equipment of \$0.7 million in 2013-14 was recognised in the Net Result as there was no existing balance in the Asset Revaluation Reserve of the same class of asset at the reporting date.

Government Property NSW

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2015

6. CASH AND CASH EQUIVALENTS	2015 \$'000	2014 \$'000
(a) Reconciliation of Cash and Cash Equivalents		
Cash at Bank and On Hand		
Operating Funds	223,993	69,919
Restricted Cash:		
Land Remediation Funds (i)	40,337	39,392
Agency Property Transaction Monies (ii)	1,345	1,357
Total Cash and Cash Equivalents	265,675	110,668
<p>(i) A total of \$40.3 million (\$39.4m at 30 June 2014) is set aside and can only be used for remediation on Newcastle lands acquired by the Crown from BHP Billiton in 2002.</p> <p>(ii) A total of \$1.3 million (\$1.4m at 30 June 2014) was held "on trust" on behalf of other government agencies and can only be used for property acquisition and divestment transactions in progress, negotiations for which were being undertaken by GPNSW under formal agreement with those agencies (Note 13).</p> <p>For the purposes of the Statement of Cash Flows, cash includes cash on hand, cash at bank and "restricted cash". The significant increase in Operating Funds over 2013-14 was mainly due to the receipt of \$169.6 million in net property sale proceeds in late June 2015. Primarily from the settlement of the Parramatta Justice Precinct office buildings, the net proceeds will be repatriated to the Crown in early 2015-16.</p> <p>Refer to Note 20 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.</p>		
(b) Reconciliation of Net Cash Flows from Operating Activities to Net Result		
	2015	2014
	\$'000	\$'000
Net Cash Flow From Operating Activities	9,084	(4,630)
Non Cash Revenue/(Expenses):		
Emerging Asset Increment/(Decrement) (Note 3(d))	500	450
Depreciation and Amortisation (Note 2(c))	(16,741)	(16,562)
Gain on Disposal of Non-Current Assets (Note 4)	28,264	18,302
Other Gains/(Losses) (Note 5)	8,162	2,921
Changes in Operating Assets and Liabilities:		
Increase/(Decrease) in Receivables	2,972	6,482
Decrease/(Increase) in Payables	11,006	32,018
Decrease/(Increase) in Provisions	181	(2,389)
Decrease/(Increase) in Other Operating Liabilities	507	5
Net Result for the Year	43,935	36,597
7. RECEIVABLES		
	2015	2014
	\$'000	\$'000
Current		
Trade Receivables:		
Property Rental	4,003	2,729
Fees for Services Rendered	755	370
Less: Impairment Allowance (a)	(780)	(540)
	<u>3,978</u>	<u>2,559</u>
Other Receivables:		
Work in Progress - Net Project Costs Recoverable	5,765	2,286
Goods and Services Tax Recoverable	677	779
Finance Lease Receivables (b)	4,035	4,035
Lessee Lease Incentives (c)	8,476	3,222
Makegood Costs Recoverable (d)	37,120	30,066
Fitout Construction Receivable (Note 13)	112	5,288
Other	9,913	5,666
Total Current Receivables	70,076	53,901

Government Property NSW

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2015

7. RECEIVABLES (CONTINUED)	2015	2014
	\$'000	\$'000
Non-Current		
Other Receivables:		
Finance Lease Receivables (b)	61,575	60,872
Lessee Lease Incentives (c)	51,099	25,135
Makegood Costs Recoverable (d)	100,528	125,056
Receivable from Lessees (Note 13)	5,338	2,455
Total Non-Current Receivables	218,540	213,518

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

(a) Impairment Allowance	2015	2014
	\$'000	\$'000
Movement:		
Carrying Amount at 1 July	540	518
Amount Written Off	(3)	-
Increase/(Decrease) in Allowance	243	22
Carrying Amount at 30 June	780	540

The impairment allowance at 30 June 2015 includes an accumulated allowance of nil (nil at 30 June 2014) for uncollectible minimum finance lease payments receivable.

(b) Finance Lease Receivables	2015	2014
	\$'000	\$'000
Movement:		
Carrying Amount at 1 July	64,907	83,768
Reclassification to Land (Note 8(b))	-	(19,704)
Lease Payments Received	(4,515)	(5,972)
Property Finance Lease Income (Note 3(b))	5,218	6,815
Carrying Amount at 30 June	65,610	64,907

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

Gross Investment in Finance Leases as Lessor	309,659	313,694
Less: Unearned Finance Income	(244,049)	(248,787)
Present Value of the Minimum Lease Payments Receivable	65,610	64,907

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

Not later than one year	4,035	4,035
Later than one year and not later than five years	16,141	16,141
Later than five years.	289,483	293,518
Gross Investment in Finance Leases as Lessor	309,659	313,694

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

	2015	2014
	\$'000	\$'000
Not later than one year	4,035	4,035
Later than one year and not later than five years	13,313	13,313
Later than five years.	48,262	47,559
Present Value of the Minimum Lease Payments Receivable	65,610	64,907

Government Property NSW

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2015

7. RECEIVABLES (CONTINUED)

(b) Finance Lease Receivables (Continued)

- (iv) The unguaranteed residual value of all finance leases as lessor accruing to the benefit of GPNSW as at 30 June 2015 is \$16.5 million (\$15.5m at 30 June 2014).
- (v) GPNSW's material leasing arrangements which give rise to finance lease receivables involve owned properties which are leased to tenants under lease terms of 50 years or more.

(c) Lessee Lease Incentives

	2015 \$'000	2014 \$'000
Movement:		
Carrying Amount at 1 July (i)	28,357	13,594
Add Lease Incentives Provided	40,239	21,239
Less Current Year Amortisation (Note 3(a)(i))	(9,021)	(6,476)
Carrying Amount at 30 June	59,575	28,357
Current Asset	8,476	3,222
Non-Current Asset	51,099	25,135
Total Asset at 30 June	59,575	28,357

- (i) Lessee lease incentives provided relate to incentives given to GPNSW under head lease agreements which GPNSW has passed on to government agency tenants under sub-lease arrangements. Lessee lease incentives are amortised over the term of each lease and are recognised as a reduction to Property Rental Income under Sale of Goods and Services in the Statement of Comprehensive Income (Note 3(a)(i)). The addition in the lessee lease incentives in 2014-15 mainly represents the timing of incentives provided under a 12 year lease on part of the 52 Martin Place building, Sydney which commenced on 1 October 2013 for the relocation of central government agency offices.

(d) Makegood Costs Recoverable

	2015 \$'000	2014 \$'000
Movement:		
Carrying Amount at 1 July	155,122	148,030
Increase in Recoverable from Unwinding of Discount Rate (Note 15(c))	4,058	4,143
Increase/(Decrease) in Recoverable from Revised Estimate of Liability (Note 15(c))	(14,595)	5,759
Decrease in Recoverable from Payments (Note 15(c))	(6,007)	(2,810)
Decrease in Recoverable from Payments Received in Advance	(930)	-
Carrying Amount at 30 June	137,648	155,122
Current Asset		
Makegood Costs Recoverable (Note 15)	37,392	30,066
Less Payments Received in Advance	(272)	-
Total Current Asset at 30 June	37,120	30,066
Non-Current Asset		
Makegood Costs Recoverable (Note 15)	101,186	125,056
Less Payments Received in Advance	(658)	-
Total Non-Current Asset at 30 June	100,528	125,056
Total Asset at 30 June	137,648	155,122

53

Government Property NSW

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2015

8. PROPERTY, PLANT AND EQUIPMENT	2015	2014
	\$'000	\$'000
(a) Carrying Amount at 30 June		
Non-Current		
Land and Buildings		
At Fair Value	323,577	457,391
Carrying Amount at 30 June	323,577	457,391
Land		
At Fair Value	132,200	127,990
Carrying Amount at 30 June	132,200	127,990
Plant and Equipment		
At Fair Value	7,405	7,363
Less Accumulated Depreciation	(2,816)	(2,247)
Carrying Amount at 30 June	4,589	5,116
Finance Lease Assets		
At Fair Value	130,760	110,990
Carrying Amount at 30 June	130,760	110,990
Works in Progress	2,049	454
Total Non-Current Property, Plant and Equipment at 30 June	593,175	701,941
Total at Cost or Fair Value	595,991	704,188
Total Accumulated Depreciation and Amortisation	(2,816)	(2,247)
Total Non-Current Property, Plant and Equipment at 30 June	593,175	701,941
(b) Reconciliation of Opening and Closing Carrying Amounts	2015	2014
	\$'000	\$'000
Land and Buildings (i)		
Carrying Amount at 1 July	457,391	429,560
Disposals (Note 8(b)(iv))	(20,727)	(722)
Transfer from/(to) Land	-	355
Transfer from Works in Progress	3,198	16,848
Transfers from other Government Agencies (Note 17(c))	84,425	25,630
Reclassification to Non-Current Asset Held for Sale (Note 9(b))	(243,057)	(293)
Net Revaluation Reserve Increment/(Decrement) (Note 17(b)(i))	25,244	(1,100)
Net Revaluation Increment/(Decrement) Recognised in the Net Result (Note 5)	30,122	(121)
Depreciation Expense (Note 2(c))	(13,019)	(12,766)
Carrying Amount at 30 June	323,577	457,391
	2015	2014
	\$'000	\$'000
Land (i)		
Carrying Amount at 1 July	127,990	128,378
Reclassification from Finance Lease Receivable (Note 7(b))	-	19,704
Disposals (Note 8(b)(iv))	-	(19,704)
Transfer from/(to) Land and Buildings	-	(355)
Transfer from Works in Progress	133	330
Transfers from other Government Agencies (Note 17(c))	16,992	267
Reclassification to Non-Current Asset Held for Sale (Note 9(b))	(6,264)	(500)
Net Revaluation Reserve Increment/(Decrement) (Note 17(b)(i))	-	485
Net Revaluation Increment/(Decrement) Recognised in the Net Result (Note 5)	(6,651)	(615)
Carrying Amount at 30 June	132,200	127,990

Government Property NSW

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2015

8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	2015 \$'000	2014 \$'000
Plant and Equipment		
Carrying Amount at 1 July	5,116	5,720
Additions	170	98
Disposals	(11)	-
Depreciation Expense (Note 2(c))	(686)	(702)
Carrying Amount at 30 June	4,589	5,116
Finance Lease Assets (ii)		
Carrying Amount at 1 July	110,990	63,744
Transfer from Works in Progress	504	2,632
Net Revaluation Reserve Increment (Note 17(b)(i))	21,690	46,975
Depreciation Expense (Note 2(c))	(2,424)	(2,361)
Carrying Amount at 30 June	130,760	110,990
Emerging Asset		
Carrying Amount at 1 July	-	3,750
Transfer to Other Asset (Note 11)	-	(3,750)
Carrying Amount at 30 June	-	-
Works in Progress (iii)		
Carrying Amount at 1 July	454	3,562
Additions	5,430	16,731
Transfer to Land and Buildings	(3,198)	(16,848)
Transfer to Land	(133)	(330)
Transfer to Finance Lease Assets	(504)	(2,632)
Impairment Loss (Note 5)	-	(29)
Carrying Amount at 30 June	2,049	454

55

(i) Valuation of Land and Buildings and Land

All properties within the asset classes of Land and Buildings and Land (classified under Property Plant and Equipment) were independently valued as at 30 June 2015. Qualified valuers, AssetVal Pty Ltd, Savills Valuation, Knight Frank, and CBRE were engaged to provide GPNSW with independent property valuation reports. Each firm provided individual valuations on a sub-set of properties assigned to them. The valuations took into consideration changes to market and economic conditions that have occurred since 30 June 2014 as well as the previous valuation reports.

(ii) Finance Lease Assets

Finance lease assets as at 30 June 2015 relate to Noel Park House, Marius Street, Tamworth and a part of the 52 Martin Place building, Sydney. Noel Park House and 52 Martin Place building are being amortised over the life of the lease. Noel Park House and 52 Martin Place building were independently revalued on 30 June 2015 by qualified valuer, Knight Frank who has recent experience in comparable markets and the category of the finance lease asset being valued.

(iii) Works in Progress

Expenditure capitalised during the year and recorded under works in progress as at 30 June 2015 relates to refurbishment works in various office buildings and GPNSW corporate capital projects totalling \$2.0 million (\$0.5m at 30 June 2014 of which \$0.1m was transferred to Land and Buildings and \$0.4m was transferred to Finance Lease Assets in 2014-15).

Government Property NSW

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2015

8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

(iv) Disposals

The following properties were sold by GPNSW under public auction or tender arrangements during 2014-15:

- Lot 1, DP64069, 357 Glebe Point Road, Glebe
- Lot 1 and 2, DP509117, 97 Carrington Street, Lismore
- Lot 100, DP739023, 1 Leewood Drive, Orange
- Lot 1, DP747803 and Lot 102, DP736173, 237 Wharf Road, Newcastle

(v) Heritage Assets

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

- Government Office Building, 21 Mitchell Street, Bourke
- Government Office Building, 51-53 Oxley Street, Bourke
- Chief Secretary's Building, 121 Macquarie Street, Sydney
- Education Building, 35-39 Bridge Street, Sydney
- Lands Building, 23-33 Bridge Street, Sydney
- Government Office Building, 90 Market Street, Mudgee
- Government Office Building, 1-5 Camp Street, Forbes
- 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
- Crown Lands Office, 205 Wade Street, Leeton
- Former BP Australia Terminal, Balls Head Road, Waverton
- Government Office Building, 135 Main Street, Murwillumbah
- Government Office Building, Cnr Lynch and Lovell Street, Young
- Sydney Fish Market Site, Pyrmont Bridge Road, Pyrmont
- Parramatta Correctional Centre, O'Connell Street, Parramatta

56

9. NON-CURRENT ASSETS HELD FOR SALE

(a) Carrying Amount at 30 June

	<u>2015</u>	<u>2014</u>
	<u>\$'000</u>	<u>\$'000</u>
Land and Buildings	73,515	293
Land	6,764	500
Carrying Amount at 30 June	<u>80,279</u>	<u>793</u>

Government Property NSW

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2015

9. NON-CURRENT ASSETS HELD FOR SALE (CONTINUED)

(a) Carrying Amount at 30 June (Continued)

The following properties were classified as Non-current Assets Held for Sale at 30 June 2015:

- 12 Shirley Road, Wollstonecraft
- 21 Greenwood Avenue, Singleton
- 428 Macauley Street, Albury
- 167 Rusden Street, Armidale
- 32-34 Gordon Street, Coffs Harbour
- 32-36 Harris Street, Fairfield
- 324-330 Pacific Highway, Hornsby
- 64 Shoalhaven Street, Kiama
- 357 Hume Highway, Liverpool
- 239 Pittwater Road, Manly
- Corner Central Road & Barton Crescent, Port Macquarie
- Corner Aurora Avenue & Aurora Lane, Queanbeyan
- 1-15 River Street, Silverwater
- Corner Peel Street & Hill Street, Tamworth
- 2 Fox Street, Wagga Wagga
- 69 Catherine Crescent, Lavington
- 52 Conrad Place, Lavington
- Education Building, 35-39 Bridge Street, Sydney
- Lands Building, 23-33 Bridge Street, Sydney

57

(b) Reconciliation of Opening and Closing Carrying Amounts

	2015 \$'000	2014 \$'000
Non-Current Assets Held for Sale		
Carrying Amount at 1 July	793	19,900
Reclassification from Property, Plant and Equipment - Land and Buildings (Note 8(b))	243,057	293
Reclassification from Property, Plant and Equipment - Land (Note 8(b))	6,264	500
Disposals (i)	(169,835)	(19,900)
Carrying Amount at 30 June	80,279	793

(i) Disposals

The following properties were sold by GPNSW under public auction or tender arrangements during 2014-15:

- Lot A, DP331543, 141 Percy Street, Wellington
- Lot 1, DP797786, 80 Louee Street, Rylstone
- Lot B, DP330987, 22 Middleton Street, Petersham
- Lot 33, DP1080235, 160 Marsden Street, Parramatta
- Lot 2, DP1080235, 4 George Street, Parramatta

10. INTANGIBLE ASSETS

(a) Carrying Amount at 30 June

	2015 \$'000	2014 \$'000
Computer Software		
Gross Carrying Amount	3,844	3,299
Less Accumulated Amortisation	(2,979)	(2,367)
Carrying Amount at 30 June	865	932

(b) Reconciliation of Opening and Closing Carrying Amounts

	2015 \$'000	2014 \$'000
Intangible Assets		
Carrying Amount at 1 July	932	1,597
Additions/Acquisitions	545	94
Disposals	-	(26)
Amortisation Expense (Note 2(c))	(612)	(733)
Carrying Amount at 30 June	865	932

Government Property NSW

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2015

11. OTHER	2015	2014
	\$'000	\$'000
Emerging Asset (i)		
Carrying Amount at 1 July	5,300	-
Transfer from Property, Plant and Equipment (Note 8(b))	-	3,750
Net Revaluation Reserve Increment (Note 17(b)(i))	50	1,100
Emerging Asset Increment (Note 3(d))	500	450
Carrying Amount at 30 June	5,850	5,300

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

In 2013-14, the Sydney Opera House Car Park was reclassified from Property, Plant and Equipment to Non-Current Assets - Other as the asset is not a tangible asset.

58

The emerging value of the car park is \$5.9 million at 30 June 2015 (\$5.3m at 30 June 2014). The emerging value is being allocated to revenue and Non-Current Assets - Other during the term of the lease as if it were the compound value of an annuity discounted at the NSW Government bond rate applicable at 13 March 1993, being 8.25%.

Qualified valuer, Knight Frank was engaged to provide an independent fair value valuation of the lessor's interest in the freehold property subject to the existing lease as prescribed under Treasury Accounting Policy TPP 06-8 "Accounting for Privately Financed Projects" as at 30 June 2015.

12. FAIR VALUE MEASUREMENT OF NON-FINANCIAL ASSETS

(a) Fair Value Hierarchy

2015	Level 1	Level 2	Level 3	Total Fair Value
	\$'000	\$'000	\$'000	\$'000
Property, Plant and Equipment (Note 8)				
Land and Buildings	-	323,577	-	323,577
Land	-	132,200	-	132,200
Finance Lease Assets	-	130,760	-	130,760
Other Asset (Note 11)				
Emerging Asset	-	5,850	-	5,850
	-	592,387	-	592,387
2014	Level 1	Level 2	Level 3	Total Fair Value
	\$'000	\$'000	\$'000	\$'000
Property, Plant and Equipment (Note 8)				
Land and Buildings	-	457,391	-	457,391
Land	-	127,990	-	127,990
Finance Lease Assets	-	110,990	-	110,990
Other Asset (Note 11)				
Emerging Asset	-	5,300	-	5,300
	-	701,671	-	701,671

There were no transfers between Level 1 or 2 during 2014-15. The 'Total Fair Value' above includes assets measured at fair value and will not reconcile to the total Property, Plant and Equipment recognised in the Statement of Financial Position as this includes assets which are measured at depreciated historical cost, as an approximation of fair value. These non-specialised assets do not require fair value hierarchy disclosures under AASB 13 "Fair Value Measurement".

Government Property NSW

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2015

12. FAIR VALUE MEASUREMENT OF NON-FINANCIAL ASSETS (CONTINUED)

(b) Valuation Techniques, Input and Processes

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

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

13. PAYABLES

Current

	2015 \$'000	2014 \$'000
Sundry Creditors and Accruals	16,096	22,487
Fitout Construction Payable (Note 7)	112	5,288
Agency Property Transaction Monies (Note 6(a)(ii))	1,345	1,357
Payable to Personnel Services Provider (Note 1(a))	1,872	1,803
Total Current Payables	19,425	30,935

Non-Current

Payable to Lessor (Note 7)	5,338	2,455
Total Non-Current Payables	5,338	2,455

14. BORROWINGS

Current

	2015 \$'000	2014 \$'000
Finance Lease Liabilities (a)	1,074	989
Total Current Borrowings	1,074	989

Non-Current

Finance Lease Liabilities (a)	35,265	36,338
Total Non-Current Borrowings	35,265	36,338

(a) Finance Lease Liabilities

Movement:

	2015 \$'000	2014 \$'000
Carrying Amount at 1 July	37,327	42,916
Net Gain on Reassessment of Finance Lease Liability (Note 5)	-	(4,679)
Minimum Lease Payments	(6,003)	(6,003)
Finance Lease Interest Charges (Note 2(e))	5,015	5,093
Carrying Amount at 30 June (Note 18(c))	36,339	37,327

15. PROVISIONS

Current

	2015 \$'000	2014 \$'000
Land Remediation (b)	32,549	19,809
Makegood Restoration ((c) and Note 7(d))	37,392	30,066
Legal Settlement (d)	-	157
Total Current Provisions	69,941	50,032

Government Property NSW

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2015

15. PROVISIONS (CONTINUED)	2015	2014
	\$'000	\$'000
Non-Current		
Personnel Services (a)	18,182	18,207
Land Remediation (b)	35,909	32,863
Makegood Restoration ((c) and Note 7(d))	101,186	125,056
Makegood Restoration - GPNSW Self Occupied Premises (c)	233	221
Total Non-Current Provisions	155,510	176,347
(a) Personnel Services	2015	2014
	\$'000	\$'000
Movement:		
Carrying Amount at 1 July	18,207	17,570
Net Increase/(Decrease) in Liability to Personnel Services Provider (Note 2(a)(ii))	(25)	637
Carrying Amount at 30 June	18,182	18,207
Non-Current Liability	18,182	18,207
Total Liability at 30 June	18,182	18,207
Aggregate Personnel Services Liability - Dissection	2015	2014
	\$'000	\$'000
Unfunded Superannuation (Defined Benefits Schemes) (i)	18,182	18,207
Total Liability at 30 June	18,182	18,207

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

(i) Unfunded Superannuation (Defined Benefits Schemes)

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

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

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

(b) Land Remediation	2015	2014
	\$'000	\$'000
Movement:		
Carrying Amount at 1 July	52,672	50,899
Decrease in Provision from Payments	(77)	(78)
Increase in Provision from Unwinding of Discount Rate (Note 2(e))	1,333	1,366
Increase in Provision from Revised Estimate of Liability Recognised in Net Result (Note 5)	14,530	-
Increase in Provision from Revised Estimate of Liability Recognised as a Revaluation Increment/(Decrement) in Other Comprehensive Income (Note 17(b))	-	485
Carrying Amount at 30 June	68,458	52,672

Government Property NSW

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2015

15. PROVISIONS (CONTINUED)	2015 \$'000	2014 \$'000
(b) Land Remediation (Continued)		
Current Liability	32,549	19,809
Non-Current Liability	35,909	32,863
Total Liability at 30 June	68,458	52,672

Land remediation provisions as at 30 June 2015 relate to Newcastle landholdings (i) and Hunter's Hill landholdings (ii).

(i) Newcastle Landholdings

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

In July 2009, management control for two parcels of the unremediated land at Mayfield and the Kooragang Island site were transferred to the Newcastle Port Corporation (NPC). At 30 June 2015, GPNSW retained ownership of the remaining parcel of the former steel works site at Mayfield (known as Mayfield Lot 1).

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

(ii) Hunter's Hill Landholdings

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

GPNSW has estimated and recognised a remediation liability at the reporting date for all three lots. This estimate has been determined using quotes, contract and tender details available as at 30 June 2015. Minor works were undertaken in 2014-15, however the remaining remediation will be undertaken mainly in 2016-17 and completed in 2018-19.

(c) Makegood Restoration	2015 \$'000	2014 \$'000
Movement:		
Carrying Amount at 1 July	155,343	148,243
Increase in Provision from Unwinding of Discount Rate (Note 7(d))	4,058	4,143
Increase in Provision from Unwinding of Discount Rate - GPNSW Occupied Premises (Note 2(e))	12	8
Increase/(Decrease) in Provision from Revised Estimate of Liability (Note 7(d))	(14,595)	5,759
Decrease in Provision from Payments (Note 7(d))	(6,007)	(2,810)
Carrying Amount at 30 June	138,811	155,343
Current Liability	37,392	30,066
Non-Current Liability	101,419	125,277
Total Liability at 30 June	138,811	155,343

Government Property NSW

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2015

15. PROVISIONS (CONTINUED)

(c) Makegood Restoration (Continued)

The makegood restoration liability is calculated on all leased properties, where GPNSW is the lessee and reflects an estimate of the cost to makegood the premises to their original condition at the end of the lease term. The makegood costs are recoverable in full from the sub-lessees except for GPNSW self occupied premises which totalled \$0.2 million at 30 June 2015 (\$0.2m at 30 June 2014). An average discount rate of 2.04% was used at 30 June 2015 (2.62% as at 30 June 2014) and the level of the provision is reviewed at the end of each year. Any movement in the Makegood Restoration Provision is also reflected in Makegood Costs Recoverable within Receivables (Note 7(d)) except for GPNSW self occupied premises.

(d) Legal Settlement

Movement:

Carrying Amount at 1 July (i)

Amounts Used

Unused Amounts Reversed

Carrying Amount at 30 June

Current Liability

Total Liability at 30 June

2015	2014
\$'000	\$'000
157	180
(141)	(23)
(16)	-
-	157
-	157
-	157

- (i) A provision was maintained for legal settlement costs in relation to the McKell Building Break Benefits Litigation proceedings for which the NSW Crown has been ordered to pay the defendants costs. The settlement was finalised in August 2014.

16. OTHER LIABILITIES

Current

Lessor Lease Incentives (a)

Total Current Liability at 30 June

Non-Current

Lessor Lease Incentives (a)

Total Non-Current Liability at 30 June

2015	2014
\$'000	\$'000
8,476	3,497
8,476	3,497
51,099	25,135
51,099	25,135

(a) Lessor Lease Incentives

Movement:

Carrying Amount at 1 July (i)

Additional Lease Incentives

Less Current Year Amortisation (Note 2(b)(i))

Carrying Amount at 30 June

Current Liability

Non-Current Liability

Total Liability at 30 June

2015	2014
\$'000	\$'000
28,632	14,419
40,239	21,239
(9,296)	(7,026)
59,575	28,632
8,476	3,497
51,099	25,135
59,575	28,632

- (i) Lessor lease incentives received relate to incentives given to GPNSW under head lease agreements. Lessor lease incentives are amortised over the term of each lease and are recognised as a reduction to Property Head Lease Expense under Other Operating Expenses in the Statement of Comprehensive Income (Note 2(b)(i)). The addition in the lessor lease incentives in 2014-15 mainly represents the timing of incentives received under a 12 year lease on part of the 52 Martin Place building, Sydney which commenced on 1 October 2013 for the relocation of central government agency offices.

Government Property NSW

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2015

17. NOTE TO STATEMENT OF CHANGES IN EQUITY	2015	2014
	\$'000	\$'000
(a) Financial Distributions		
Normal Distributions from Surplus on Rental Operations (Paid to the State Government) (Note 1(l))	12,936	7,449
Capital Repatriations from the Net Proceeds of Asset Sales (Paid to the State Government) (Note 1(l))	52,393	55,334
	65,329	62,783
(b) Asset Revaluation Reserve Dissection	2015	2014
	\$'000	\$'000
Asset Class:		
Land and Buildings	25,294	-
Finance Leased Assets	72,117	50,427
Fine Arts & Heritage Assets	2,759	2,759
Total Asset Revaluation Reserve at 30 June	100,170	53,186
Movement:		
Carrying Amount at 1 July	53,186	6,211
Net Increase in Property, Plant and Equipment Revaluation Surplus (i)	46,984	47,460
Net Increase/(Decrease) in the Revaluation Surplus Arising from		
a Change in the Restoration Liability (Note 15(b))	-	(485)
Carrying Amount at 30 June	100,170	53,186
<p>The total Asset Revaluation Reserve is used to record increments and decrements on the revaluation of Non-Current Property, Plant and Equipment. This accords with GPNSW's policy on the Revaluation of Property, Plant and Equipment (Note 1(h)(iii)). All movements are recorded directly through Other Comprehensive Income and are recognised in the Statement of Financial Position. No distributions are made from the Asset Revaluation Reserve.</p>		
(i) Net Increase in Property, Plant and Equipment Revaluation Surplus - Dissection	2015	2014
	\$'000	\$'000
Land and Buildings (Note 8(b))	25,244	(1,100)
Land (Note 8(b))	-	485
Finance Lease Assets (Note 8(b))	21,690	46,975
Emerging Asset (Note 11)	50	1,100
Net Increase in Property, Plant and Equipment Revaluation Surplus	46,984	47,460
(c) Net Increase/(Decrease) in Net Assets from Equity Transfers	2015	2014
	\$'000	\$'000
Transfer of Properties from other Government Agencies:		
Land and Buildings (Note 8(b))	84,425	25,630
Land (Note 8(b))	16,992	267
Total Net Increase/(Decrease) in Net Assets from Equity Transfers	101,417	25,897
18. COMMITMENTS FOR EXPENDITURE	2015	2014
	\$'000	\$'000
(a) Capital Expenditure Commitments		
Capital expenditure contracted at balance date but not provided for:		
Payable within one year	-	4,242
Payable later than one year but not later than five years	-	-
Payable later than five years	-	-
Total Capital Expenditure Commitments (Incl GST)	-	4,242

Total capital expenditure commitments relate to contracted refurbishment works on various owned buildings. Capital expenditure commitments at 30 June 2015 include GST recoverable input tax credits of nil (\$0.4m at 30 June 2014) that are expected to be recoverable from the Australian Taxation Office.

Government Property NSW

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2015

18. COMMITMENTS FOR EXPENDITURE (CONTINUED)	2015	2014
	\$'000	\$'000
(b) Operating Lease Commitments		
Head lease future minimum lease payments contracted at balance date but not provided for:		
Payable within one year	347,131	318,408
Payable later than one year but not later than five years	621,838	558,693
Payable later than five years	381,279	295,250
Total Operating Lease Commitments (Incl GST)	1,350,248	1,172,351

The majority of future minimum lease payments will be recouped by GPNSW under sub-leases. Future minimum lease payments and receipts as at 30 June 2015 include GST recoverable input tax credits of \$122.7 million (\$106.6m at 30 June 2014) and GST payable of \$122.7 million (\$106.6m at 30 June 2014).

(c) Finance Lease Commitments	2015	2014
	\$'000	\$'000
Minimum Lease Payments:		
Payable within one year	6,003	6,003
Payable later than one year but not later than five years	20,130	21,325
Payable later than five years	431,160	435,968
Total Minimum Lease Payment Commitment	457,293	463,296
Finance Costs:		
Payable within one year	(4,929)	(5,014)
Payable later than one year but not later than five years	(19,264)	(19,385)
Payable later than five years	(396,761)	(401,570)
Total Finance Costs Commitment	(420,954)	(425,969)
Present Value of Finance Lease Commitments:		
Payable within one year	1,074	989
Payable later than one year but not later than five years	866	1,940
Payable later than five years	34,399	34,398
Total Present Value of Finance Lease Commitments (Note 14(a))	36,339	37,327

GPNSW's Finance Lease Commitments comprise leases on Noel Park House, Tamworth and on part of the 52 Martin Place building, Sydney. The Noel Park House lease has a lease term of 25 years with no option to purchase the asset at the completion of the lease term in 2017. The discount rate implicit in the lease is 8.64% pa. The 52 Martin Place lease liability is being amortised over the lease term, which is 124.25 years and ends in 2110. The discount rate implicit in the lease is 14.91% pa.

19. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

As at the reporting date, GPNSW was not aware of any contingent assets or contingent liabilities.

20. FINANCIAL INSTRUMENTS

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

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

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

Government Property NSW

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2015

20. FINANCIAL INSTRUMENTS (CONTINUED)			2015	2014
			\$'000	\$'000
(a) Financial Instrument Categories				
Financial Assets - Carrying Amounts				
Class	Category	Notes		
Cash and Cash Equivalents	n/a	1(h)(x), 6	265,675	110,668
Receivables (i)	Loans and Receivables (at Amortised Cost)	1(h)(xi), 7	286,223	264,900
Financial Liabilities - Carrying Amounts				
Class		Notes		
Payables (ii)	Financial Liabilities (at Amortised Cost)	1(i)(i), 13	22,323	29,967
Borrowings	Financial Liabilities (at Amortised Cost)	1(i)(ii), 14	36,339	37,327

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

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

(b) Credit Risk

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

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

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

(i) Cash

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

(ii) Receivables - Trade Debtors

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

GPNSW is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Based on past experience, debtors which are not past due totalling \$2.4 million (\$1.8m at 30 June 2014) are not considered impaired and these represent 51.6% (57.1% at 30 June 2014) of the total trade debtors. Most of GPNSW's debtors are NSW Government Agencies and therefore have an AAA credit rating. There are no debtors which are currently not past due or impaired whose terms have been renegotiated.

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

Government Property NSW

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2015

20. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Credit Risk (Continued)

(ii) Receivables - Trade Debtors (Continued)

Credit Risk - 2015	Overdue				Total
Financial Assets	<1 Mth \$'000	>1 <2 Mths \$'000	>2 <3 Mths \$'000	>3 Mths \$'000	2015 \$'000
Receivables:					
Past Due But Not Impaired	185	357	326	687	1,555
Considered Impaired	-	5	36	709	750
Total Credit Risk	185	362	362	1,396	2,305
Credit Risk - 2014					
Financial Assets	<1 Mth \$'000	>1 <2 Mths \$'000	>2 <3 Mths \$'000	>3 Mths \$'000	Total 2014 \$'000
Receivables:					
Past Due But Not Impaired	161	457	68	104	790
Considered Impaired	-	-	54	486	540
Total Credit Risk	161	457	122	590	1,330

(i) Each row in the above table reports "gross receivables".

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

(c) Liquidity Risk

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

Liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW Treasury Circular 11/12. For small business suppliers, where terms are not specified, payment is made not later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. For small business suppliers, where payment is not made within the specified time period, simple interest must be paid automatically unless an existing contract specifies otherwise. For payments to other suppliers, the Head of GPNSW (or a person appointed by the Head of GPNSW) may automatically pay the supplier simple interest. The rate of interest applied by GPNSW accords with the current rate applicable under section 22 of the *Taxation Administration Act 1996*.

GPNSW's financial liabilities, as listed at (a) above, are all non-interest bearing. Payables are all payable within 12 months (Note 13). Payable items which are out of the scope of AASB 7 "Financial Instruments: Disclosures" have been excluded from the carrying amount shown in the Statement of Financial Position. These items are GST payable and unearned revenue.

A maturity profile analysis of GPNSW's Finance Lease liabilities is presented at Note 18(c).

Government Property NSW

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2015

20. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Market Risk

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

The effect on profit and equity due to a reasonably possible change in risk variable is outlined below under interest rate risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which GPNSW operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the reporting date. The analysis is performed on the same basis for 2015. 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. GPNSW's exposure to interest rate risk is set out below.

Interest Rate Risk - 2015	Carrying Amount \$'000	-1%		+1%	
Financial Assets	\$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Cash and Cash Equivalents	40,337	(403)	(403)	403	403

Interest Rate Risk - 2014	Carrying Amount \$'000	-1%		+1%	
Financial Assets	\$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Cash and Cash Equivalents	39,392	(394)	(394)	394	394

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

(e) Fair Value

Financial instruments as shown in Note 20(a) are recognised in the Statement of Financial Position at amortised cost, which approximates the fair value.

21. BUDGET REVIEW

(a) Net Result

The Net Result of \$43.9 million was \$25.2 million favourable to budget. This resulted mainly from:

- a \$28.3 million increase in Gain of Disposal of Property, Plant and Equipment (Note 4);
- a \$8.5 million increase in Other Gains mainly from Property, Plant and Equipment net revaluation gains, offset in part by losses from revised remediation estimates (Note 5);
- a \$4.2 million decrease in Depreciation and Amortisation expense due mainly to the post-budget change in estimate of the remaining useful life of the 52 Martin Place finance lease asset; and
- a \$15.3 million decrease in Grants and Contributions revenue mainly due to lower capital expenditure in the Building Refurbishment Program (\$10.6m) and deferral of the Property Development Program spend (\$6.7m) into 2015-16.

Government Property NSW

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2015

21. BUDGET REVIEW (CONTINUED)

(b) Assets and Liabilities

Total Assets of \$1.2 billion were \$216.0 million greater than budget. This resulted primarily from:

- a \$194.8 million increase in Cash and Cash Equivalents (Note 21(c));
- a \$4.1 million increase in Receivables due mainly to an increase in trade receivables and project cost recoverables.
- a \$80.3 million increase in Non-Current Assets Held for Sale due mainly to the exchange of sale contracts for various properties in June 2015 (Note 9(a)); and
- a \$62.9 million decrease in Property, Plant and Equipment due mainly to the disposal of various properties in 2014-15.

Total Liabilities of \$346.1 million were \$42.6 million greater than budget primarily due to:

- a \$46.5 million net increase in Provisions due mainly to budgeted land remediation works at Newcastle (Mayfield Lot 1) being deferred to future years and an increase in Hunter's Hill land remediation estimate in 2014-15 mainly as a result of change in the final waste disposal location.

68

(c) Cash Flows

Closing Cash and Cash Equivalents was \$194.8 million greater than budget. The significant increase resulted mainly from:

- a \$20.1 million increase due to budgeted land remediation works at Newcastle (Mayfield Lot 1) being deferred into future years; and
- a \$169.6 million increase from net property sale proceeds received in late June 2015. Primarily from the settlement of the Parramatta Justice Precinct office buildings, the net proceeds will be repatriated to the Crown in early 2015-16.

22. EVENTS AFTER THE REPORTING PERIOD

(a) Adjusting Events

There are no known events after the reporting period which would give rise to a material impact on the reported results or financial position of GPNSW as at 30 June 2015.

(b) Non-Adjusting Events

On 1 July 2015, all Department of Finance, Services and Innovation (DFSI, formerly OFS) defined benefit superannuation liabilities, including GPNSW's unfunded superannuation liability of \$18.2 million (Note 15(a)), were transferred to the Crown through an equity transfer in accordance with the Treasurer's approval. Accordingly, GPNSW has derecognised the unfunded defined benefit superannuation provision of \$18.2 million in July 2015 through an equity transfer with DFSI.

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

End of Audited Financial Statements

Appendix B

Statutory and statistical information

69

Legal framework

Principal Governing Legislation

GPNSW operates under the following principal legislation:

- Government Property NSW Act 2006

Changes in Legislation

Three Orders under the GPNSW Act were made in the 2014-15 Financial Year to transfer a total of 105 land parcels and 45 leases and licenses from government agencies to GPNSW. The property transfers were from the following agencies:

- Department of Justice
- Department of Planning and Environment
- NSW Department of Education and Communities
- NSW Department of Finance Services and Innovation
- NSW Department of Transport

70

Human resources

Workforce Profile

A summary of GPNSW workforce profile* and other information is set out below:

Category	2011-12	2012-13	2013-14	2014-15
Senior Executive Service	4.0	4.0	7.0	23.0
Corporate Management	15.8	8.0	4.0	13.8
Property Management	104.0	100.6	104.1	64.6
TOTAL	123.8	112.6	115.2	101.5

*Excludes permanent employees of other agencies seconded to GPNSW.

Contractors and Consultants

The Crown Employees (Public Service Condition of Employment – 2009) Award was varied on 24 June 2014 to provide for salary increases of 2.27%, effective from the first full pay period commencing on or after 1 July 2014.

The Statutory and Other Office Remuneration Tribunal (SOORT) awarded a 1.88 % increase to the remuneration packages of Chief Executive (CES) and Senior Executive Service (SES) effective 1 July 2014.

Personnel policies and practices

During the reporting period, GPNSW was governed by the policies and procedures of the Department of Finance, Services and Innovation (DFSI).

In 2014-15, the Human Resources functions of Recruitment, Induction, Training and Development, and Payroll were managed by DFSI, to reflect the centralised corporate services model under the agency cluster.

Industrial relations policies and practices

During the financial year, DFSI commenced negotiations with the PSA for the establishment of a divisional GPNSW consultative committee. It is proposed the committee will meet on a quarterly basis to align with the Department's peak consultative forum chaired by the Secretary. In 2014-15 there were no industrial disputes in arbitration at the NSW Industrial Relations Commission and there was no lost time due to industrial action.

Disability Plans

GPNSW is a part of the DFSI Disability Action Plan.

Multicultural Policies and Services Program

GPNSW is covered by the DFSI Multicultural Policies and Services Program Plan 2010-14, which ensures that the DFSI delivers services to clients and staff from culturally and linguistically diverse (CALD) backgrounds and is compliant with the NSW Government's Multicultural Planning Framework.

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

Work Health and Safety

GPNSW is committed to providing a healthy and safe workplace for all workers including contractors, agency staff and visitors.

During the period, there was one claim and one notification of injury reported under the GPNSW workers compensation policy. GPNSW experienced no prosecutions under the Work Health and Safety Act 2011.

A number of activities were undertaken in 2014-15 with the aim of a safer workplace, preventing injuries and illnesses and promoting timely, sustainable and early return to work for injured workers. These include:

- participation in the DFSI Work, Health & Safety (WHS) Injury Management (WHISM) community of practice
- contributing to a whole-of-DFSI refresh of the WHS framework and associated policies and procedures

WHS training and staff development activities including:

- delivery of GPNSW WHS and Bligh House workplace safety inductions
- training for executives and managers on their WHS obligations and responsibilities and Officer due diligence
- the corporate influenza vaccination program for GPNSW staff and contractors
- organised a number of workstation assessments for staff
- promoting the externally provided employee assistance program to GPNSW staff, and
- maintenance of Floor Wardens and accredited First Aid Officers with payment of requisite allowances.

Numbers and remuneration of senior executives

SES Profile	2011-12		2012-13*		2013-14		2014-15	
	Male	Female	Male	Female	Male	Female	Male	Female
SES 7	-	-	1	-	1	-	1	-
SES 5	1	-	1	-	-	-	-	-
SES 3	3	-	3	-	6	2	5	1
SEB 1	-	-	-	-	-	-	8	8
Total	4	-	4	-	7	2	14	9

The average total remuneration package of senior executives at the end of the 2014-15 reporting period was: \$260,963.

The percentage of total employee-related expenditure in the reporting year that relates to senior executives is 12%.

Risk and compliance

Risk Management Framework

GPNSW is refreshing its Enterprise Risk Management (ERM) framework. In 2014-15, GPNSW recalibrated its risk identification, assessment and escalation policies. It commenced realigning its existing risk management processes and is continuously improving its framework to ensure that risk identification, analysis and monitoring occurs across all lines of business and key projects. This work is proposed to be finalised in 2015-16.

The risk framework is aligned to the DFSI ERM Framework and to NSW Treasury Internal Audit and Risk Management Policy for the Public Sector (TPP 09-05) and AS/NZS ISO 31000: Risk management – Principles and guidelines.

The risk framework considers risks at the strategic and operational level as well as within programs and projects. Strategic risks and those operational risks deemed to be high risks are reported to GPNSW Executive Operating Committee and/or escalated to DFSI and the Audit and Risk Committee in accordance with risk incident and escalation processes.

Insurance

72

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

Audit and Risk Committee (ARC)

During 2014-15 GPNSW had in place an Audit and Risk Committee (ARC), compliant with NSW Treasury's Internal Audit and Risk Management Policy for the NSW Public Sector (TPP09-05).

This committee met six (6) times to oversee financial reporting, internal control systems, risk management, corruption prevention, compliance systems and other regulatory requirements, and the internal and external audit functions. Administrative support for the ARC was provided by the DFSI. The ARC considered issues and topics including:

- Reports of GPNSW progress against Strategic Priorities and progress of PAUT recommendations
- Corporate plan, objectives and performance management framework and updates on restructure and repositioning activities including the communications strategy
- Financial performance reports, including the building refurbishment program, pipeline projects, divestments, property revaluations and other projects and matters relevant to GPNSW financial performance
- GPNSW Internal Audit Plan, Reports and implementation of recommendations
- NSW Audit Office reports and GPNSW implementation of recommendations
- Reports on risk, fraud and corruption prevention and control activities
- Special project reports including PAUT II and the Shared Services Implementation Program
- Financial statements – the ARC had separate meetings to review soft close and hard close of financial statements and a meeting to approve financial accounts for 2014-15.

Internal Audit and Risk Management Statement

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

- Mr Jon Isaacs, Independent Chair (period of appointment 31 October 2011 to 31 October 2015)
- Mr Ken Barker, Independent Member (period of appointment from 31 October 2011 to 31 October 2014)
- Ms Evelyn Bosak, Independent Member (period of appointment from 27 October 2013 to 27 October 2016)

This Audit and Risk Committee has been established under a Minister approved shared arrangement with the following statutory bodies:

- Teacher Housing Authority
- Waste Assets Management Corporation

These processes, including the practicable alternative measures implemented, provide a level of assurance that enables the senior management of GPNSW to understand, manage and satisfactorily control risk exposures. As required by the policy, I have submitted an Attestation Statement outlining compliance with exceptions with the policy to the Treasury on behalf of the Treasurer.



Brett Newman
Chief Executive Officer
Government Property NSW

Public information

Privacy and Personal Information Protection Act 1998 (PIIP Act)

The Privacy and Personal Information Protection (PIIP) Act 1998 contains twelve information protection principles regulating the collection, use and disclosure of personal information by NSW public sector agencies. These principles ensure that agencies collect personal information for lawful purposes, and that such information is protected from misuse and unauthorised release.

NSW Government agencies are required to prepare and implement a privacy management plan in accordance with section 33(1) of the Privacy and Personal Information Protection Act 1998.

Additional information about how GPNSW manages its obligations under the PIIP Act is available at <http://www.property.nsw.gov.au/government-property-nsw-privacy-statement>.

Statistical information about access applications received in relation to GPNSW is reported in the DFSI Annual Report.

Public Interest Disclosure

74

As staff are employees of DFSI, GPNSW has adopted and adhered to the DFSI Fraud and Corruption Internal Reporting Policy. All staff are advised of this policy by means of the Code of Conduct and intranet access. Changes within the Treasury and Finance cluster in 2014 require changes to be made to DFSI public interest disclosure processes and policies. Revised information and education and training of staff, senior management and nominated disclosure officers is planned to be undertaken during 2014-15.

Public interest disclosures made by GPNSW officials for the period 1 July 2014 to 30 June 2015

	(1) Public interest disclosures made by public officials in performing their day to day functions	(2) Public interest disclosures not covered by (1) that are made under a statutory or other legal obligation	(3) All other public interest disclosures
Number of public officials who made PIDs	-	-	-
Number of PIDs received	-	-	-
Of PIDs received, number primarily about:	-	-	-
Corrupt Conduct	-	-	-
Maladministration	-	-	-
Serious and substantial waste	-	-	-
Government information contravention	-	-	-
Local government pecuniary interest contravention	-	-	-
Number of PIDs finalised	-	-	-

Government information

Government Information (Public Access) Act 2009

The Government Information (Public Access) Act 2009 (GIPA Act) requires NSW Government agencies to make mandatory disclosures of information, encourages proactive releases of information and provides mechanisms for individuals to apply to access government information.

More information on how to access department information is available at <https://www.finance.nsw.gov.au/accessing-ofs-information/how-can-i-access-ofs-information>.

Statistical information relating to formal applications under the GIPA Act is provided in the DFSI Annual Report Government Information (Public Access) statistics.

Review of proactive release program Under section 7(3) of the GIPA Act, agencies must review their proactive release of government information program at least once every twelve months.

GPNSW complies with this Act by proactively releasing information on its website www.property.nsw.gov.au.

Exemptions and nil reports

75

GPNSW is exempt from reporting on the following matters for the reasons outlined below:

REPORTING REQUIREMENT	REASON FOR EXEMPTION
Funds granted to Non-Government Organisations	GPNSW did not make any grants to any non-government community organisations during the reporting period
Research and Development	No research and development activities were undertaken during 2014-15
Disclosure of Controlled Entities	GPNSW does not control any entities of the kind referred to in section 39 (1A) of the Public Finance and Audit Act 1983
Disclosure of Subsidiaries	GPNSW does not control or hold shares in any subsidiaries within the meaning of the Corporations Act 2001 (Cth.)
Agreements with the Community Relations Commission	GPNSW does not have any agreements with the Community Relations Commission under the Community Relations Commission and Principles of Multicultural Act 2000
Investment Performance	All GPNSW investment powers are in accordance with Part 1 of Schedule 4 of the Public Authorities (Financial Arrangements) Act 1987. However, all cash reserves are held in Treasury Banking System (TBS) bank accounts.
Implementation of Price Determination	GPNSW is not subject to determinations or recommendations of the Independent Pricing and Regulatory Tribunal of NSW.
Land Disposal	GPNSW did not dispose any land with value more than \$5 million other than by public auction or tender during 2014- 15.
Promotion	The clients of GPNSW are other NSW Government agencies. No GPNSW staff undertook overseas travel to promote or develop the business.
Workforce Diversity	As per ARDR c15 TC 14/24 as small agency GPNSW reports diversity on a triennial basis, this was reported in the 2012-13 reports.

Digital Information Security Policy Attestation

Digital Information Security – Annual attestation statement

I, Brett Newman, am of the opinion that Government Property NSW had an Information Security Management System in place during the 2014-15 financial year that is consistent with the Core Requirements set out in the NSW Government Digital Information Security Policy.

The controls in place to mitigate identified risks to the digital information and digital information systems of Government Property NSW are adequate.

There is no agency under the control of Government Property NSW which is required to develop an independent Information Security Management System in accordance with the NSW Government Digital Information Security Policy.



76

Brett Newman
Chief Executive Officer

Environment and sustainability

NSW Government Sustainability Policy

All government office buildings are subject to the NSW Government Sustainability Policy, which requires owned and leased office buildings over 1,000 square meters to achieve and maintain energy and water ratings of at least 4.5 stars, under the National Australian Built Environment Rating System (NABERS).

GPNSW continued to improve the operational efficiency of the owned and leased office portfolios during FY 2014-15. This has reduced environmental impacts while delivering cost savings for client agencies.

Sustainability program update

NABERS Energy Ratings (where GPNSW occupies > 2000m² NLA):

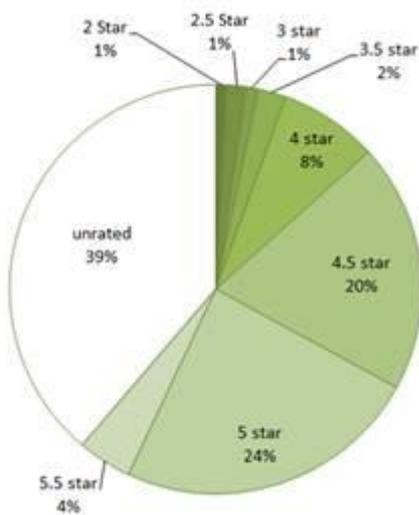
Policy target:

- 4.5 stars NABERS Energy by June 2017
(for all new and renewed leases of at least 2 years, where a Green Lease negotiated and NSW Government agencies occupy at least 2,000m² NLA).

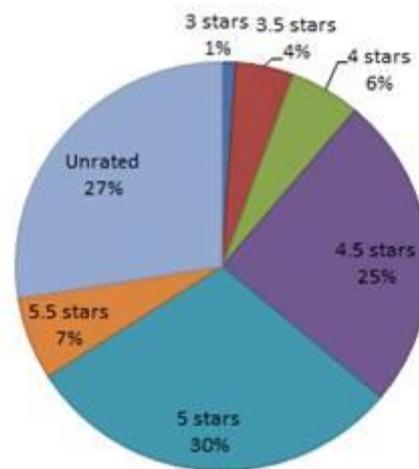
Key achievements:

- GPNSW leased offices have attained an average 4.67 stars NABERS Energy rating with the NSW Average being 4.34 stars.
- An estimated \$8 million p.a. base building energy saving has been achieved for tenant agencies (compared to expected costs if performance was 1 star lower).

77



30 June 2014 (620,000m² NLA)



30 June 2015 (606,816m² NLA)

Green leases

GPNSW is working with its client agencies to implement green leases which are designed to achieve water and energy efficiencies as well as other sustainability goals.

Policy target:

- Negotiate Green Leases for all new and renewed leases of at least 2 years, where NSW Government agencies occupy at least 2,000 m² NLA.

Key achievements

- NSW Government Green Leases recognised as market leading.
- External property managers Cushman & Wakefield and FiveD actively engaged with owners and tenants to implement Green Leases.
- Significant savings achieved (>\$300,000) relating to sale and lease back transactions identified in original PAUT Report.

Performance trend

- Approx. 200,000 m² NLA now under some form of Green Lease (i.e. 23% of GPNSW total leased portfolio).

Energy efficient lighting

Policy target

- GPNSW to upgrade tenant lighting over 12 watts/ m² to achieve better than 7 watts/ m². (This target only applies where a "Tenancy Lighting Assessment" shows existing lighting is worse than 12 watts/ m²).

Key achievements

- For Legal Aid tenancy at 323 Castlereagh St an 8,500 m² lighting upgrade was undertaken at no cost to the tenant with Legal Aid achieving \$100k p.a. cost savings.
- 237 Wharf Rd – new owner to upgrade lighting to quality LEDs.
- GPNSW leased portfolio lighting efficiency benchmarked (see below).

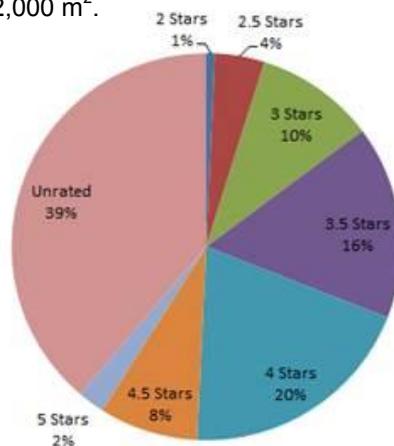
NABERS Water ratings (where GPNSW occupies > 2000 m² NLA):

Policy target

- 4 stars NABERS Water rating, where cost effective (for all new and renewed leases of at least 2 years, where a Green Lease negotiated and NSW Government agencies occupy at least 2,000 m² NLA).

Key achievements

- 4 stars NABERS Water achieved for approximately 50% of leased offices where NSW Government agencies occupy at least 2,000 m².



Government Resource Efficiency Policy Implementation

All government owned buildings are subject to the NSW Government Resource Efficiency Policy (GREP), which requires office buildings over 2,000 m² to achieve and maintain a NABERS rating above 4.5 stars by June 2017.

Since 2013 there has been extensive work within GPNSW on developing its energy efficiency improvement plan.

This work underpins GPNSW approach to achieving the outcomes sought from the GREP.

As at June 2015 the majority of owned offices in the Portfolio with an NLA of over 2,000 m² had been re-rated to assess their performance against the GREP target.

Results were as follows:

- NABERS energy rating of 4.38 stars (weighted) across 13 government owned buildings with NLA totaling 61,223 m²; and
- NABERS water efficiency rating of 4.54 stars (weighted) across 11 government owned buildings with NLA totaling 36,822 m².

Energy reduction measures in GPNSW owned buildings have aimed to mitigating the impact of future energy cost increases. A number of energy efficiency projects have been scoped and prioritised based on the shortest 'in use' payback period. These investments optimise the resource efficiency gain in particular when reviewing energy consumption from lighting and Building Management Systems.

GPNSW monitors recycling rates to ensure that at least 77% of wastes are diverted from landfill, as required by the NSW Waste Avoidance and Resource Recovery Strategy 2014-21 (Dec 2014)

79

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

- Recycling and diverting from landfill surplus soil, rock, and other excavated or demolition materials, wherever practical;
- Separately collecting and streaming quantities of waste concrete, bricks, blocks, timber, metals, plasterboard, paper and packaging, glass and plastics, and offering them for recycling where practical.

Client agencies are provided cleaning, waste collection and recycling services such as collection of co-mingled wastes, paper and cardboard wastes. These services assist client agencies to achieve their resource recovery objectives.

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

Payment of accounts

The table below highlights GPNSW's account payment performance for 2014-15

ACCOUNT PAYMENT PERFORMANCE 2014-15	1ST QTR	2ND QTR	3RD QTR	4TH QTR	TOTAL
<u>ALL SUPPLIERS</u>					
Value of Invoices Paid (\$'000)					
Paid Before Due Date	146,992	151,913	142,571	140,117	581,593
<30 Days Past Due Date	1,417	1,780	1,294	2,571	7,062
>30<60 Days Past Due Date	218	279	688	1,542	2,727
>60<90 Days Past Due Date	32	70	279	148	529
>90 Days Past Due Date	102	57	32	223	414
Total Value of Invoices Paid (\$'000)	148,761	154,099	144,864	144,601	592,325
% Paid on Time - By Value	99%	99%	98%	97%	98%
Number of Invoices Paid					
Paid Before Due Date	8,604	8,809	8,644	9,782	35,839
Paid Past Due Date	341	342	529	390	1,602
Total Number of Invoices Paid	8,945	9,151	9,173	10,172	37,441
% Paid on Time - By Number	96%	96%	94%	96%	96%
Interest Paid ⁽ⁱ⁾					
Number of Payments for Interest on					
Overdue Invoices	24	17	31	24	96
Interest Paid on Overdue Invoices (\$'000)	1	1	-	-	2
<u>SMALL BUSINESS SUPPLIERS</u>					
Value of Invoices Paid (\$'000)					
Paid Before Due Date	70	121	101	203	495
<30 Days Past Due Date	1	2	8	9	20
>30<60 Days Past Due Date	1	1	-	-	2
>60<90 Days Past Due Date	1	-	-	-	1
>90 Days Past Due Date	-	-	-	-	-
Total Value of Invoices Paid (\$'000)	73	124	109	212	518
% Paid on Time - By Value	96%	98%	93%	96%	96%
Number of Invoices Paid					
Paid Before Due Date	45	108	73	78	304
Paid Past Due Date	4	4	2	3	13
Total Number of Invoices Paid	49	112	75	81	317
% Paid on Time - By Number	92%	96%	97%	96%	96%
Interest Paid ⁽ⁱ⁾					
Number of Payments for Interest on					
Overdue Invoices	1	1	1	1	4
Interest Paid on Overdue Invoices (\$'000)	-	-	-	-	-

(i) In accordance with the Government's Payment of Accounts policy (NSW TC 11/12 Payment of Accounts), interest totalling \$111.57 was paid in 2014-15 in respect of 4 Small Business Supplier invoices and \$1,995.36 was paid in respect of 92 General Suppliers invoices which were paid past their due date.

For all suppliers, the percentage of invoices paid on time for 2014-15 averaged 96% by number and 98% by value (97% and 98% respectively in 2013-14). The majority of payment delays experienced by GPNSW were process related and is mainly due to the logistical difficulties in securing certifications on services provided to properties which are spread across NSW.

During 2014-15, GPNSW implemented a number of system and procedural changes, both internally and with its services providers (Cushman & Wakefield and FiveD), in an effort to ensure that all invoice payments can be made within the 30 day requirement. For 2015-16, GPNSW is targeting payment performance in excess of 95%.

Out of the total number of invoices paid during 2014-15, 0.85% (or 0.09% by value) was paid to small business suppliers. Of this number, 96% by number and 96% by value was paid on time (96% and 87% respectively in 2013-14).

Consultants

GPNSW engages consultants to augment existing expertise and resources. During 2014-15 GPNSW obtained the following consultancy services

2014-15 CONSULTANCIES PROJECTS/CATEGORIES	CONSULTANTS	TOTAL COST \$
GREATER THAN \$50,000:		
Project Title	Consultant Name	
Best Practice Models for Ownership and Management of Real Property Portfolios	McKinsey&Company	841,750
Incentive Structures for Real Property Assets	McKinsey&Company	528,000
LESS THAN \$50,000:		
Category	Number of Consultants	
Property	5	66,438
TOTAL CONSULTANCIES		1,436,188

81

Credit cards

In 2014-15 credit card usage within GPNSW was mainly limited to claimable work-related travel expenses and expenditure for minor purchases where the use of credit cards is a more efficient means of payment.

In accordance with Treasurer's Direction 205.01, credit card usage by officers of GPNSW during the reporting period was in accordance with relevant Government policy, Premier's Memoranda and Treasurer's Directions.

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

Consumer response

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

In 2013-14 the Helpdesk continued as the central service point for agency property management issues.

GPNSW has ensured that property management issues through this facility are dealt with appropriately and with a high degree of client satisfaction.

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

Availability of the 2014-15 Annual Report

82

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

It is also available on the GPNSW website www.property.nsw.gov.au and a digital copy has been provided to State Records.

External production costs

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

Agency contacts

Postal Address:
GPO Box 4081 SYDNEY NSW 2001

Street Address:
Level 3, 4-6 Bligh St, SYDNEY NSW 2000

Business hours:
9.00am to 5.00pm Monday to Friday

Key Contact details:
Switchboard: (02) 9273 3800

Email: gpnswservicecentre@property.nsw.gov.au

Date of publication: 31 October 2015

Index

A

Annual review 4

C

Charter 6

Chief Executive Officer Message 2

D

Divisions 14

F

Financial performance 23

Financial statements 29

M

52 Martin Place 13

Millers point 11

O

Operating budget overview 26

Operating result 25

Organisational structure 6

P

Parramatta Justice Precinct 10

People 18

Performance 7

Performance overview 20

R

Relocations to Western Sydney 12

RMS recycling of capital 9

S

Statutory and statistical information 69

