

## **Audited Financial Information**

### **Contents**

<b>State Property Authority Financial Report for the Ten Months Ended 30 June 2007</b>	<b>24</b>
Statement by the Chief Executive Officer	24
Independent Auditor's Report	25
Income Statement	27
Balance Sheet	28
Statement of Changes in Equity	29
Cash Flow Statement	30
Notes to the Financial Statements	31
<b>Office of the State Property Authority Financial Report for the Ten Months Ended 30 June 2007</b>	<b>56</b>
Statement by the Chief Executive Officer	56
Independent Auditor's Report	57
Income Statement	59
Balance Sheet	60
Statement of Changes in Equity	61
Cash Flow Statement	62
Notes to the Financial Statements	63

# State Property Authority

## Financial Report

### For the Ten Months Ended 30 June 2007

#### Statement by the Chief Executive Officer

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

- (a) The accompanying financial statements exhibit a true and fair view of the financial position of the State Property Authority as at 30 June 2007 and the transactions for the year then ended.
- (b) The financial report complies with applicable Australian Accounting Standards (which include Australian Equivalents to International Financial Reporting Standards (AEIFRS)), the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2005*, and the Treasurer's Directions.

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



**M A Skewes**

Chief Executive Officer  
State Property Authority

SYDNEY  
18 October 2007



GPO BOX 12  
Sydney NSW 2001

## INDEPENDENT AUDITOR'S REPORT

### State Property Authority and it's Controlled Entity

To Members of the New South Wales Parliament

I have audited the accompanying financial report of the State Property Authority (the Authority), and the Authority and its controlled entity, (the consolidated entity) which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the period from 1 September 2007 to 30 June 2007, a summary of significant accounting policies and other explanatory notes. The consolidated entity comprises the Authority and the entities it controlled at the period's end or from time to time during the financial period.

#### *Auditor's Opinion*

In my opinion, the financial report:

- presents fairly, in all material respects, the financial position of the Authority and the consolidated entity as of 30 June 2007, and of their financial performance and their cash flows for the period then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2005.

#### *The Chief Executive Officer's Responsibility for the Financial Report*

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

#### *Auditor's Responsibility*

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

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

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

My opinion does *not* provide assurance:

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

*Independence*

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

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



Mark Abood CPA  
Director, Financial Audit Services

22 October 2007  
SYDNEY

# State Property Authority

Start of Audited Financial Statements

## Income Statement

For the 10 Months Ended 30 June 2007

	Note	Consolidated 2007 \$'000	Authority 2007 \$'000
<b>Revenue</b>			
Sale of Goods and Services	2(a)	7,497	7,497
Grants and Contributions	2(b)	1,594	1,594
Interest	2(c)	2,833	2,833
<b>Total Revenue</b>		<b>11,924</b>	<b>11,924</b>
<b>Expenses</b>			
Employee Related Expenses	3(a)	5,705	5,705
Depreciation and Amortisation	3(b)	55	55
Other	3(c)	2,527	2,527
<b>Total Expenses Excluding Losses</b>		<b>8,287</b>	<b>8,287</b>
Loss on Disposal of Property, Plant & Equipment		(126)	(126)
<b>Net Surplus for the Period</b>		<b>3,511</b>	<b>3,511</b>

[The accompanying notes form part of these statements]

# State Property Authority

## Balance Sheet

As At 30 June 2007

	Note	Consolidated 2007 \$'000	Authority 2007 \$'000
<b>Current Assets</b>			
Cash and Other Cash Equivalents	5	120,225	120,225
Receivables	6	11,074	8,765
<b>Total Current Assets</b>		<b>131,299</b>	<b>128,990</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	8	187,948	187,948
Intangibles	9	40	40
Receivables	6	270	-
<b>Total Non Current Assets</b>		<b>188,258</b>	<b>187,988</b>
<b>TOTAL ASSETS</b>		<b>319,557</b>	<b>316,978</b>
<b>Current Liabilities</b>			
Payables	10	20,342	21,282
Provisions			
- Land Remediation	11	37,347	37,347
- Other	11	3,249	-
<b>Total Current Liabilities</b>		<b>60,938</b>	<b>58,629</b>
<b>Non-Current Liabilities</b>			
Payables	10	-	179
Provisions			
- Land Remediation	11	76,133	76,133
- Other	11	449	-
<b>Total Non-Current Liabilities</b>		<b>76,582</b>	<b>76,312</b>
<b>TOTAL LIABILITIES</b>		<b>137,520</b>	<b>134,941</b>
<b>NET ASSETS</b>		<b>182,037</b>	<b>182,037</b>
<b>EQUITY</b>			
Retained Earnings	12(a)	129,927	129,927
Asset Revaluation Reserve	12(b)	52,110	52,110
<b>TOTAL EQUITY</b>		<b>182,037</b>	<b>182,037</b>

[The accompanying notes form part of these statements]

# State Property Authority

## Statement of Changes in Equity

For the 10 Months Ended 30 June 2007

	Note	Consolidated 2007 \$'000	Authority 2007 \$'000
Gain on Property Revaluation	12(b)	52,110	52,110
Net Increases/(Decreases) in Equity			
- Transfer from Department of Commerce	13(a)	(557)	(557)
- Transfer from Crown Property Portfolio	13(b)	128,827	128,827
Other Increases/(Decreases) in Equity			
- Asset Sale Proceeds Transferred to the Crown	12(a)	(1,854)	(1,854)
<b>Net Income and Expense Recognised Directly in Equity</b>		<b>178,526</b>	<b>178,526</b>
Surplus for the Period		3,511	3,511
<b>Total Income and Expense Recognised for the Period</b>		<b>182,037</b>	<b>182,037</b>

[The accompanying notes form part of these statements]

# State Property Authority

## Cash Flow Statement

For the 10 Months Ended 30 June 2007

	Note	Consolidated 2007 \$'000	Authority 2007 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Payments</b>			
Employee Related		(6,630)	(6,630)
Land Remediation		(11,567)	(11,567)
Other		(3,804)	(3,804)
<b>Total Payments</b>		<b>(22,001)</b>	<b>(22,001)</b>
<b>Receipts</b>			
Sale of Goods and Services		7,150	7,150
Interest		3,842	3,842
Other		6,520	6,520
<b>Total Receipts</b>		<b>17,512</b>	<b>17,512</b>
<b>Cash Flows from Government</b>			
State Government Contribution		1,594	1,594
<b>Net Cash Flows from Government</b>		<b>1,594</b>	<b>1,594</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	16	<b>(2,895)</b>	<b>(2,895)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of Property, Plant and Equipment		(105)	(105)
Proceeds from Sale of Property Plant and Equipment		1,854	1,854
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>1,749</b>	<b>1,749</b>
<b>NET INCREASE/(DECREASE) IN CASH</b>			
Opening Cash and Cash Equivalents		-	-
Cash Transferred in as a Result of Administrative Restructuring	13	121,371	121,371
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	5	<b>120,225</b>	<b>120,225</b>

[The accompanying notes form part of these statements]

# State Property Authority

## Notes to and Forming Part of the Financial Statements

For the Ten Months Ended 30 June 2007

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Reporting Entity

The State Property Authority (the Authority), as a reporting entity, comprises all the entities under its control. The consolidated entity comprises the Authority and the Office of State Property Authority (the Office).

The Office is a Division of the Government Service, under Schedule 1 of the *Public Sector Employment and Management Act 2002*. Its sole objective is to provide personnel services to the Authority.

The Authority and its controlled entity are not-for-profit entities as profit is not their principal objective. They are consolidated as part of the NSW Total Sector Accounts.

The Authority was established under the *State Property Authority Act 2006* and commenced operations on 1 September 2006. There are no comparative figures as this is the first financial report.

On 1 September 2006, as a result of the legislation, the net assets relating to a number of activities previously conducted by the State Property Group within the Department of Commerce were transferred to the State Property Authority.

On 1 February 2007, the former BHP main steel works site, Kooragang Islands waste emplacement site and other parcels of land in the Newcastle area were transferred from the Crown Property Portfolio and vested in the State Property Authority. The cash contributed by BHP Billiton to fund remediation work required at the steel works site and Kooragang Islands waste emplacement site, together with the provision for the estimated cost of remediation, was transferred at the same time (Note 11(d)).

In the process of preparing the consolidated financial statements for the Authority and Office, all inter-entity transactions and balances have been eliminated.

These financial statements have been authorised for issue by the Authority's Chief Executive Officer on 18 October 2007.

#### (b) Basis of Preparation

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

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

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

The financial statements have been prepared on an historical cost basis, except for property, plant and equipment, which have been measured at fair value.

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

# State Property Authority

## Notes to and Forming Part of the Financial Statements

For the Ten Months Ended 30 June 2007

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

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

### (c) Statement of Compliance

The financial statements and accompanying notes comply with Australian Accounting Standards, which include Australian Equivalents to International Financial Reporting Standards (AEIFRS).

Australian Accounting Standards that have recently been issued or amended but are not yet effective and have not been adopted for the reporting period ending 30 June 2007 are:

- AASB 7 & AASB 2005-10 regarding financial instrument disclosures
- AASB 8 & AASB 2007-3 regarding operating segments
- AASB 101 (Oct 2006) regarding presentation of financial statements
- AASB 123 (June 2007) and AASB 2007-6 regarding borrowing costs
- AASB 1049 regarding the general government sector and GFS/GAAP convergence
- AASB 2007-4 regarding Australian additions to and deletions from IFRSs
- AASB 2007-5 regarding inventories held for distribution by not-for-profit entities
- Interpretation 4 (Feb 2007) regarding determining whether an arrangement contains a lease
- Interpretation 10 regarding interim financial reporting
- Interpretation 11 & AASB 2007-1 regarding group and treasury share transactions
- Interpretation 12 & AASB 2007-2 regarding service concession arrangements
- Interpretation 129 (Feb 2007) regarding service concession disclosures

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

### (d) Income Recognition

#### (i) Rendering of Services

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

#### (ii) Interest Income

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

#### (iii) Grants

Grants are recognised as income when the Authority obtains control over the assets comprising the grant. Control is normally obtained upon the receipt of cash.

#### (iv) Sale of Properties

Revenue is recognised when the significant risks and rewards of ownership of the properties have passed to the buyer and can be measured reliably. Specifically, with respect to property sales, the risks and rewards are considered passed to the buyer at the time of completion of the contract.

# State Property Authority

## Notes to and Forming Part of the Financial Statements

For the Ten Months Ended 30 June 2007

### (e) Employee Benefits and Other Provisions

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

Liabilities for salaries and wages (including non-monetary benefits), annual leave and paid sick leave are recognised and measured in respect of employees' services up to the reporting date at undiscounted amounts based on the amounts expected to be paid when the liabilities are settled.

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

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

#### (ii) Long Service Leave

Long service leave is measured on a short-hand basis. The short-hand method is based on the remuneration rates at year end for all employees with five or more years of service. It is considered that this measurement technique produces results not materially different from the estimate determined by using the present value basis of measurement.

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

#### (iii) Superannuation

Defined Contribution Schemes:

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

Defined Benefit Schemes:

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

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

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

# State Property Authority

## Notes to and Forming Part of the Financial Statements

For the Ten Months Ended 30 June 2007

### (iv) Other Provisions

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

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

### (f) Insurance

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

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

### (g) Goods and Services Tax (GST)

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

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

### (h) Acquisition of Property, Plant and Equipment

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

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

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

# State Property Authority

## Notes to and Forming Part of the Financial Statements

For the Ten Months Ended 30 June 2007

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

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

### **(i) Revaluation of Property, Plant and Equipment**

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

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

Fair value of property, plant and equipment is determined based on the best available market evidence, including current market selling prices for the same or similar assets. Where there is no available market evidence, the asset's fair value is measured at its market buying price, the best indicator of which is depreciated replacement cost. Fair value revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from its fair value at reporting date.

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

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

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

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

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

### **(j) Impairment of Property, Plant and Equipment**

As a not-for-profit entity, the Authority is effectively exempt from AASB 136 "Impairment of Assets" and impairment testing. This is because AASB 136 modifies the recoverable amount test to the higher of fair value less costs to sell and depreciated replacement cost. This means that, for an asset already measured at fair value, impairment can only arise if selling costs are material. Selling costs are regarded as immaterial.

# State Property Authority

## Notes to and Forming Part of the Financial Statements

For the Ten Months Ended 30 June 2007

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

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

The depreciation rates used for 2006-07 for each class of assets are:

Computer Equipment	20%
Furniture and Fittings	10%

Land is not depreciated.

### (l) Capitalisation Thresholds

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

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

### (m) 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.

### (n) Intangible Assets

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

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

The Authority's intangible assets (computer software) are amortised using the straight-line method over a period of 4 to 8 years.

As the Authority is a not-for-profit entity, it is exempt from impairment testing.

### (o) Other Assets

Other assets are recognised on a cost basis.

# State Property Authority

## Notes to and Forming Part of the Financial Statements

For the Ten Months Ended 30 June 2007

### (p) Financial Instruments

#### (i) Cash and Cash Equivalents

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

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

#### (ii) Loans and Receivables

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

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

#### (iii) Payables

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

### (q) Impairment of Financial Assets

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

# State Property Authority

## Notes to and Forming Part of the Financial Statements

For the Ten Months Ended 30 June 2007

### (r) Equity Transfers

The establishment of new statutory bodies or transfer of net assets between agencies as a result of an administrative restructure, transfers of programs/functions and parts thereof between NSW public sector agencies are designated as a contribution by owners and recognised as an adjustment to Retained Earnings. This treatment is in accordance with Treasury Policy and Guidelines Paper 06-7 "Contributions By Owners Made to Wholly-Owned Public Sector Entities" and is consistent with Urgent Issues Group Interpretation UIG 1038 "Contributions by Owners Made to Wholly Owned Public Sector Entities".

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 (Note 13).

### 2. REVENUES

	Consolidated 2007 \$'000	Authority 2007 \$'000
<b>(a) Sale of Goods and Services</b>		
Fees for Services	7,497	7,497
	<u>7,497</u>	<u>7,497</u>
<b>(b) Grants and Contributions</b>		
Crown Finance Entity - Recurrent Contribution	1,594	1,594
	<u>1,594</u>	<u>1,594</u>
<b>(c) Interest</b>		
Total Interest Earned	2,948	2,948
Less:		
Interest attributed to monies held on behalf of the Newcastle University and Newcastle City Council (Notes 5 & 10)	(115)	(115)
	<u>2,833</u>	<u>2,833</u>

# State Property Authority

## Notes to and Forming Part of the Financial Statements

For the Ten Months Ended 30 June 2007

3. EXPENSES	Consolidated 2007 \$'000	Authority 2007 \$'000
<b>(a) Employee Related Expenses</b>		
Salaries and Wages (Including Recreation Leave)	6,155	-
Superannuation (Defined Benefit Plans) (i)	(1,191)	-
Superannuation (Defined Contribution Plans)	249	-
Long Service Leave	155	-
Worker's Compensation Insurance	62	-
Payroll Tax and Fringe Benefits Tax	275	-
Personnel Services Expense (ii)	-	5,705
	<u>5,705</u>	<u>5,705</u>
<p>(i) The actuarial valuation undertaken on the Office of the State Property Authority's (the Office) defined benefit superannuation schemes as at 30 June 2007 (refer Note 7), has determined a reduction in the Office's overall net liability of \$1.420 million during the reporting period. For the most part, this reduction has resulted from an increase in the discount rate used to calculate the opening and closing liability from 5.8% to 6.4% respectively and, from an improvement in the expected rate of return on Fund assets from 7.6% to approximately 15%. The resulting reduction in the Office's net liability has been credited in the Income Statement under the Office's defined benefits plan superannuation expense.</p> <p>(ii) The personnel services expense is the expense incurred by the State Property Authority (the Authority) on personnel services provided to it by the Office of the State Property Authority (the Office). The Office, which is controlled by the Authority, is a Division of the Government Service under Schedule 1 <i>Public Sector Employment and Management Act 2002</i>. Its sole objective is to provide personnel services to the Authority which, under the <i>State Property Authority Act 2006</i>, is unable to employ staff. Due to the nature of the expense, the Authority classifies the personnel services expense as employee related expenses.</p>		
<b>(b) Depreciation and Amortisation</b>		
Depreciation of Property, Plant and Equipment	52	52
Amortisation of Intangible Assets	3	3
	<u>55</u>	<u>55</u>
<b>(c) Other Expenses</b>		
Audit Fees (Audit of Financial Reports)	20	20
Legal Fees	28	28
Consultancy Fees	91	91
Office Accommodation Expenses	525	525
Corporate Service Fees	1,455	1,455
Other	408	408
	<u>2,527</u>	<u>2,527</u>

# State Property Authority

## Notes to and Forming Part of the Financial Statements

For the Ten Months Ended 30 June 2007

### 4. TRANSFERRED ACTIVITIES

#### (a) Transfer from the Department of Commerce

A number of activities formerly conducted by the State Property Group (SPG) within the Department of Commerce were transferred to the State Property Authority (SPA) as a result of the legislation creating the Authority, with effect from 1 September 2006. Revenue and expenses attributed to SPA and reported in the Income Statement relate to the period 1 September 2006 to 30 June 2007. Revenue and expenses relating to the same activities formerly conducted by SPG for the period 1 July 2006 to 31 August 2006 and the comparative figures for the year ended 30 June 2006 are as follows:

	Period 01/07/06 to 31/08/06 SPG \$'000	Period 01/09/06 to 30/06/07 SPA \$'000	Total 01/07/06 to 30/06/07 SPG/SPA \$'000	Total 01/07/05 to 30/06/06 SPG \$'000
<b>Revenue</b>				
Sale of Goods and Services	2,004	7,497	9,501	12,144
Other Income	-	1,594	1,594	-
<b>Total Revenue</b>	<b>2,004</b>	<b>9,091</b>	<b>11,095</b>	<b>12,144</b>
<b>Expenses</b>				
Employee Related	1,485	5,705	7,190	8,441
Depreciation and Amortisation	9	55	64	47
Other Expenses	398	2,527	2,925	3,259
<b>Total Expenses</b>	<b>1,892</b>	<b>8,287</b>	<b>10,179</b>	<b>11,747</b>
Loss/(Gain) on Disposal of Non-Current Assets	-	-	-	-
<b>Net Surplus/(Deficit)</b>	<b>112</b>	<b>804</b>	<b>916</b>	<b>397</b>

# State Property Authority

## Notes to and Forming Part of the Financial Statements

For the Ten Months Ended 30 June 2007

### (b) Transfer from the Crown Property Portfolio

On 1 February 2007, the former BHP main steel works site, Kooragang Islands waste emplacement site and other parcels of land in the Newcastle area were transferred from the Crown Property Portfolio (CPP) and vested in the State Property Authority (SPA). Revenue and expenses attributed to SPA and reported in the Income Statement relate to the period 1 February 2007 to 30 June 2007. Revenue and expenses relating to the same activities formerly conducted by CPP for the period 1 July 2006 to 31 January 2007 and the comparative figures for the year ended 30 June 2006 are as follows:

	Period 01/07/06 to 31/01/07 CPP \$'000	Period 01/02/07 to 30/06/07 SPA \$'000	Total 01/07/06 to 30/06/07 CPP/SPA \$'000	Total 01/07/05 to 30/06/06 CPP \$'000
<b>Revenue</b>				
Sale of Goods and Services	17	-	17	17
Other Income	4,280	2,833	7,113	6,551
<b>Total Revenue</b>	<b>4,297</b>	<b>2,833</b>	<b>7,130</b>	<b>6,568</b>
<b>Expenses</b>				
Other Expenses	8,337	-	8,337	(12,052)
<b>Total Expenses</b>	<b>8,337</b>	<b>-</b>	<b>8,337</b>	<b>(12,052)</b>
Loss on Disposal of Non-Current Assets	-	126	126	-
<b>Net Surplus/(Deficit)</b>	<b>(4,040)</b>	<b>2,707</b>	<b>(1,333)</b>	<b>18,620</b>

### 5. CASH AND CASH EQUIVALENTS

	Consolidated 2007 \$'000	Authority 2007 \$'000
Cash at Bank	115,531	115,531
Restricted Cash - which remains part of cash and cash equivalents in the balance sheet (Note 10)	4,694	4,694
	<b>120,225</b>	<b>120,225</b>
Represented in the Balance Sheet as:		
Current Assets - Cash and Other Cash Equivalents	<b>120,225</b>	<b>120,225</b>

Included in the cash balance is \$113.051 million set aside for remediation on land acquired by the Crown from BHP Billiton in 2002. Out of this amount \$4.694 million including interest, is held "on trust" on behalf of the Newcastle Council and the University of Newcastle in relation to the funding proposal for the implementation of the Revised Heritage Interpretation Strategy (refer Note 10) .

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

# State Property Authority

## Notes to and Forming Part of the Financial Statements

For the Ten Months Ended 30 June 2007

6. RECEIVABLES	Consolidated 2007 \$'000	Authority 2007 \$'000
<b>Current</b>		
Sale of Goods and Services	1,308	1,308
Work in Progress	3,736	3,736
Less: Impairment Allowance	(48)	(48)
	<u>4,996</u>	<u>4,996</u>
Other Receivables:		
Long Service Leave Reimbursable from the Crown Entity	2,309	-
Goods and Services Tax Recoverable	158	158
Other	3,611	3,611
<b>Total Current Receivables</b>	<u><b>11,074</b></u>	<u><b>8,765</b></u>
<b>Non-Current</b>		
Prepaid Superannuation (Note 7)	270	-
<b>Total Non-Current Receivables</b>	<u><b>270</b></u>	<u><b>-</b></u>
<b>Impairment Allowance</b>		
Balance at the Beginning of Period	-	-
Amount Written Off to Allowance	-	-
(Increase)/Decrease in Allowance	48	48
<b>Balance at the End of Period</b>	<u><b>48</b></u>	<u><b>48</b></u>

## 7. SUPERANNUATION

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

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

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

All the schemes are closed to new members.

The opening and closing superannuation position for the Office of the State Property Authority's defined benefit schemes as at 1 September 2006 and 30 June 2007 respectively, is based on an actuarial assessment provided by the Fund's actuary, Mercer Human Resource Consulting.

# State Property Authority

## Notes to and Forming Part of the Financial Statements

For the Ten Months Ended 30 June 2007

### Superannuation Position

As at 30 June 2007	<u>SASS \$'000</u>	<u>SANCS \$'000</u>	<u>SSS \$'000</u>
<b>Member Numbers</b>			
Contributors	4	22	18
Deferred Benefits	-	-	-
Pensioners	-	-	-
Pensions Fully Commuted	-	-	-
<b>Superannuation Position for AASB 119 Purposes</b>			
Accrued Liability	(1,174)	(796)	(10,246)
Estimated Reserve Account Balance	<u>1,272</u>	<u>968</u>	<u>9,797</u>
	98	172	(449)
Future Service Liability *	<u>(317)</u>	<u>(301)</u>	<u>(891)</u>
Surplus in Excess of Recovery Available from Schemes	-	-	-
Asset/(Liability) Recognised in the Balance Sheet	<u>98</u>	<u>172</u>	<u>(449)</u>

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

### Reconciliation of the Present Value of the Defined Benefit Obligation

For the Ten Months Ended 30 June 2007	<u>SASS \$'000</u>	<u>SANCS \$'000</u>	<u>SSS \$'000</u>
<b>Present Value of Partly Funded Defined Benefit Obligations at Beginning of the Period</b>	<b>(788)</b>	<b>(661)</b>	<b>(9,589)</b>
Current Service Cost	(27)	(30)	(137)
Interest Cost	(38)	(31)	(463)
Contributions by Fund Participants	(13)	-	(133)
Actuarial Gains/(Losses)	(118)	61	99
Benefits Paid	(190)	(135)	(23)
Past Service Cost	-	-	-
Curtailments	-	-	-
Settlements	-	-	-
Business Combinations	-	-	-
Exchange Rate Changes	-	-	-
<b>Present Value of Partly Funded Defined Benefit Obligations at End of the Period</b>	<b><u>(1,174)</u></b>	<b><u>(796)</u></b>	<b><u>(10,246)</u></b>

# State Property Authority

## Notes to and Forming Part of the Financial Statements

For the Ten Months Ended 30 June 2007

### Reconciliation of the Fair Value of Fund Assets

For the Ten Months Ended 30 June 2007	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>
<b>Fair Value of Fund Assets at Beginning of the Period</b>	<b>792</b>	<b>741</b>	<b>7,906</b>
Expected Return on Fund Assets	49	45	500
Actuarial Gains/(Losses)	203	46	1,235
Employer Contributions	25	1	-
Contributions by Fund Participants	13	-	133
Benefits Paid	190	135	23
Settlements	-	-	-
Business Combinations	-	-	-
Exchange Rate Changes	-	-	-
<b>Fair value of Fund assets at end of the Period</b>	<b>1,272</b>	<b>968</b>	<b>9,797</b>

### Reconciliation of the Assets and Liabilities Recognised in the Balance Sheet

For the Ten Months Ended 30 June 2007	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>
Present Value of Partly Funded Defined Benefit Obligations at End of the Period	(1,174)	(796)	(10,246)
Fair Value of Fund Assets at End of the Period	1,272	968	9,797
<b>Subtotal</b>	<b>98</b>	<b>172</b>	<b>(449)</b>
Unrecognised Past Service Cost	-	-	-
Unrecognised Gain/(Loss)	-	-	-
Adjustment for Limitation on Net Asset	-	-	-
<b>Net Asset/(Liability) Recognised in Balance Sheet at End of the Period</b>	<b>98</b>	<b>172</b>	<b>(449)</b>

### Expense Recognised in the Income Statement

For the Ten Months Ended 30 June 2007	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>
Current Service Cost	(27)	(30)	(137)
Interest Cost	(38)	(31)	(463)
Expected Return on Fund Assets (Net of Expenses)	49	45	500
Actuarial Gains/(Losses) Recognised in Year	85	107	1,334
Past Service Cost	-	-	-
Movement in Adjustment for Limitation on Net Asset	-	-	-
Curtailement or Settlement Gain/(Loss)	-	-	-
<b>Income/(Expense) Recognised</b>	<b>69</b>	<b>91</b>	<b>1,234</b>

# State Property Authority

## Notes to and Forming Part of the Financial Statements

For the Ten Months Ended 30 June 2007

### Fund Assets

The percentage invested in each asset class as at 30 June 2007:

<b>As at 30 June:</b>	<b>2007</b>
	<b>%pa</b>
Australian Equities	33.6
Overseas Equities	26.5
Australian Fixed Interest Securities	6.8
Overseas Fixed Interest Securities	6.4
Property	10.1
Cash	9.8
Other	6.8

### Fair Value of Fund Assets

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

### Expected Rate of Return on Assets

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

### Actual Return on Fund Assets

<b>For the Ten Months Ended 30 June 2007</b>	<b>SASS</b>	<b>SANCS</b>	<b>SSS</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Actual Return on Fund Assets	114	91	977

### Valuation Method and Principal Actuarial Assumptions at Balance Date

#### **(a) Valuation Method**

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

#### **(b) Economic Assumptions**

<b>As at 30 June:</b>	<b>2007</b>
	<b>%pa</b>
Salary Increase Rate to 2008 (Excluding Promotional Increases)	4.0
Salary Increase Rate after 2008 (Excluding Promotional Increases)	3.5
Rate of CPI Increase	2.5
Expected Return on Assets Backing Current Pension Liabilities	7.6
Expected Return on Assets Backing Other Liabilities	7.6
Discount Rate	6.4

# State Property Authority

## Notes to and Forming Part of the Financial Statements

For the Ten Months Ended 30 June 2007

### (c) Demographic Assumptions

The demographic assumptions at 30 June 2007 are equivalent to those used in the 2006 triennial actuarial valuation. The most financially significant include assumptions on:

- (i) The number of SASS and SSS contributors expected in any one year (out of 10,000 members) to leave the funds as a result of death, disability, resignation, retirement and redundancy;
- (ii) The proportion of SSS members assumed to commute their pension to a lump sum in any one year;
- (iii) Assumed mortality rates (in 2006-07) for SSS pensioners; and
- (iv) Per annum assumed rates of mortality improvement for SSS pensioners.

### Historical Information

<b>For the Ten Months Ended 30 June 2007</b>	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>
Present value of Defined Benefit Obligation	(1,174)	(796)	(10,246)
Fair Value of Fund Assets	1,272	968	9,797
Surplus/(Deficit) in Fund	98	172	(449)
Experience Adjustments - Fund Liabilities	(118)	61	99
Experience Adjustments - Fund Assets	203	46	1,235

### Expected Employer Contributions

<b>For 2007-08</b>	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>
Expected Employer Contributions	43	50	301

### Funding Arrangements for Employer Contributions

#### (a) Surplus/(Deficit)

The following is a summary of the 30 June 2007 financial position of the Fund calculated in accordance with AAS25 "Financial Reporting by Superannuation Plans":

<b>As at 30 June 2007</b>	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>
Accrued Benefits	(1,163)	(789)	(9,405)
Net Market Value of Fund Assets	1,272	968	9,797
<b>Net Surplus/(Deficit)</b>	<b>109</b>	<b>179</b>	<b>392</b>

#### (b) Contribution Recommendations

Recommended contribution rates for the Authority are:

<u>Fund</u>	<u>Contribution Basis</u>	<u>Rate</u>
SASS	Multiple of Member Contributions	1.9
SANCS	Percentage of Member Salary	2.5
SASS	Multiple of Member Contributions	1.6

# State Property Authority

## Notes to and Forming Part of the Financial Statements

For the Ten Months Ended 30 June 2007

### (c) Funding Method

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

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

### (d) Economic Assumptions

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

<b>Weighted Average Assumptions</b>	<b>Rate %pa</b>
Expected Return on Fund Assets Backing Current Pension Liabilities	7.7
Expected Return on Fund Assets Backing Other Liabilities	7.0
Expected Rate of Salary Increase	4.0
Expected Rate of CPI Increase	2.5

### Nature of Asset/Liability

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

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

## 8. PROPERTY, PLANT AND EQUIPMENT

### (a) Carrying Amount at 30 June:

	<b>Consolidated 2007 \$'000</b>	<b>Authority 2007 \$'000</b>
<b>Land and Buildings</b>		
At Cost or Fair Value	187,830	187,830
Less Accumulated Depreciation and Impairment	-	-
	<b>187,830</b>	<b>187,830</b>
<b>Plant and Equipment</b>		
At Cost or Fair Value	317	317
Less Accumulated Depreciation and Impairment	(199)	(199)
	<b>118</b>	<b>118</b>
<b>Total Property, Plant and Equipment</b>	<b>187,948</b>	<b>187,948</b>

# State Property Authority

## Notes to and Forming Part of the Financial Statements

For the Ten Months Ended 30 June 2007

### (b) Reconciliation - Consolidated and Authority

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current period are set out below.

<b>Movement in Period</b>	<b>Land and Buildings \$'000</b>	<b>Plant and Equipment \$'000</b>	<b>Total 2007 \$'000</b>
Opening Carrying Amount	-	-	-
Transfer from Crown Property Portfolio (i)	137,700	-	137,700
Transfer from Department of Commerce	-	102	102
Acquisitions	-	68	68
Net Revaluation Increments/(Decrements) (i)	52,110	-	52,110
Disposals	(1,980)	-	(1,980)
Depreciation/Amortisation	-	(52)	(52)
<b>Closing Carrying Amount</b>	<b>187,830</b>	<b>118</b>	<b>187,948</b>

- (i) On 1 February 2007, the former BHP main steel works site, Kooragang Islands waste emplacement site and various other parcels of land in the Newcastle area were transferred from the Crown Property Portfolio (CPP) and vested in the State Property Authority (Note 13(b)). All of the transferred properties were previously valued, by an independent valuer, on 1 January 2006. In view of the short period of time since this valuation, the Authority considered the amounts at which the lands were recorded by the CPP, immediately prior to the transfer, to represent fair value.

In June 2007, the Authority engaged an independent valuation firm, Frank Knight, to determine whether there was any indication that the fair value of the lands at 30 June 2007 would differ materially from the amount at which they were carried in the books of the Authority at that date. A total of six properties were determined to have increased significantly. The most significant of these being:

- Tomago and West Wallsend sites; and
- Port Waratah Coal Services site (former Gunbarrel site)

The valuations took into consideration changes to market and economic conditions that have occurred since the transfer from CPP on 1 February 2007, and changes to forecasts that were contained in the previous 1 January 2006 valuation. The properties were consequently revalued by the Authority in accordance with NSW Treasury Guidelines.

A key consideration for the valuation increases to the Tomago and West Wallsend sites was that portions of the sites have been identified, through the Lower Hunter Regional Strategy, as future employment lands. The re-zoning of the Tomago site came into effect on 12 June 2007. The valuation of the West Wallsend site included an assumption that the re-zoning will be finalised within two years.

Regarding the Port Waratah Coal Services site, the valuer adopted the income capitalisation approach in determining the current market value as an Agreement for Lease, for a 35 year term, has recently been entered into over the majority of the site by a private sector consortium. The previous market value was assessed using the direct comparison valuation method having regard to comparable land values.

# State Property Authority

## Notes to and Forming Part of the Financial Statements

For the Ten Months Ended 30 June 2007

In addition, two contaminated sites, the former BHP main steel works site and the Kooragang Islands waste emplacement facility were reviewed to determine the difference between the previous 1 January 2006 valuation and the current valuation as at 30 June 2007. After taking into account the 2006-07 remediation expenditure and the present value of the liability to remediate the sites as at 30 June 2007, the fair value of the assets was adjusted accordingly.

The overall result of the above revaluations at 30 June 2007 was an increase in the aggregate fair value of the lands of \$52.110 million. This increment is reflected in the Asset Revaluation Reserve (Note 12 (c)).

### 9. INTANGIBLES

	Consolidated 2007 \$'000	Authority 2007 \$'000
<b>(a) Carrying Amount at 30 June:</b>		
<b>Intangibles</b>		
At Cost	63	63
Less Accumulated Amortisation and Impairment	(23)	(23)
<b>Total Intangibles</b>	<b>40</b>	<b>40</b>

### (b) Reconciliation - Consolidated and Authority

A reconciliation of the carrying amount of intangible assets at the beginning and end of the current period is set out below.

	Computer Software \$'000	Total 2007 \$'000
<b>Movement in Period</b>		
Opening Carrying Amount	-	-
Transfer from Department of Commerce	6	6
Acquisitions	37	37
Depreciation/Amortisation	(3)	(3)
<b>Closing Carrying Amount</b>	<b>40</b>	<b>40</b>

# State Property Authority

## Notes to and Forming Part of the Financial Statements

For the Ten Months Ended 30 June 2007

<b>10. PAYABLES</b>	<b>Consolidated</b>	<b>Authority</b>
	<b>2007</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Trade Creditors	135	135
Sundry Creditors and Accruals	8,131	8,131
Land Remediation Expense Accrual	4,507	4,507
Goods and Services Tax Payable	580	580
Monies Held "On Trust" (Note 5)	4,694	4,694
Payable to Crown Finance Entity	1,854	1,854
Payable to Subsidiary:		
Accrued Salaries, Wages and On-Costs	441	441
Personnel Services	-	940
<b>Total Current Payables</b>	<b>20,342</b>	<b>21,282</b>
<b>Non-Current</b>		
Payable to Subsidiary:		
Personnel Services	-	179
<b>Total Current Payables</b>	<b>-</b>	<b>179</b>

### Monies Held "On Trust"

Monies held "on trust" comprises monies held on behalf of the Newcastle University and Newcastle City Council and represents the balance of funding set aside for the implementation of the Revised Heritage Interpretation Strategy on the former BHP steel works sites in Newcastle. The amount comprises \$4.579 million transferred from the Crown Property Portfolio on 1 February 2007 plus interest of \$0.115 million accumulated since that date (refer Note 5).

The monies will be distributed to Newcastle Council and the University of Newcastle in 2007-08 to perform heritage interpretation and display obligations in relation to the former BHP steel work sites and for those parties to accept transfer of heritage properties being subdivided from the Crown land at Newcastle.

# State Property Authority

## Notes to and Forming Part of the Financial Statements

For the Ten Months Ended 30 June 2007

11. PROVISIONS	Consolidated 2007 \$'000	Authority 2007 \$'000
<b>Current</b>		
Annual Leave (a)	723	-
Long Service Leave (b)	2,526	-
Land Remediation (d)	37,347	37,347
<b>Total Current Provisions</b>	<b>40,596</b>	<b>37,347</b>
<b>Non-Current</b>		
Superannuation (Note 7)	449	-
Land Remediation (d)	76,133	76,133
<b>Total Non-Current Provisions</b>	<b>76,582</b>	<b>76,133</b>
<b>(a) Annual Leave</b>		
<p>The amount of annual leave disclosed under "Current" above is increased by on-costs in the determination of the total provision. The provision combines amounts expected to be settled within twelve months (short term) and greater than twelve months (long term) after the reporting date. An estimated dissection of the short and long term liability is:</p>		
Short Term - expected to be settled within 12 months	418	-
Long Term - not expected to be settled within 12 months	305	-
	<b>723</b>	<b>-</b>
<b>(b) Long Service Leave</b>		
<p>The amount of long service leave and associated on-costs disclosed under "Current" above combines amounts expected to be settled within twelve months (short term) and greater than twelve months (long term) after the reporting date. An estimated dissection of the short and long term liability is:</p>		
Short Term - expected to be settled within 12 months	253	-
Long Term - not expected to be settled within 12 months	2,273	-
	<b>2,526</b>	<b>-</b>
<b>(c) Aggregate Employee Benefits and Related Costs</b>		
Provisions - Current	3,249	-
Provisions - Non-Current	449	-
Accrued Salaries, Wages and On-Costs (Note 10)	441	441
	<b>4,139</b>	<b>441</b>

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

# State Property Authority

## Notes to and Forming Part of the Financial Statements

For the Ten Months Ended 30 June 2007

	Consolidated 2007 \$'000	Authority 2007 \$'000
<b>(d) Land Remediation</b>		
Carrying Amount Transferred at 1 February 2007	121,434	121,434
Reduction in Provision from Payments	(7,954)	(7,954)
Carrying Amount at 30 June	<u>113,480</u>	<u>113,480</u>
Current Liability	37,347	37,347
Non-Current Liability	76,133	76,133
Total Liability	<u>113,480</u>	<u>113,480</u>

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

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

BHP Billiton Ltd agreed to pay \$108.987 million, including \$5 million for Heritage Interpretation Funding Proposal which was received by the Crown "on trust", based on the total negotiated estimated costs of remediation and other works as shown in the Environmental Deed dated 31 July 2002 between BHP Billiton Ltd and the Crown.

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

In June 2007, the Regional Land Management Corporation (RLMC), established by the Government to manage the above lands and required remediation works, provided the Authority with a revised present value estimate of the remaining remediation works. The estimate is based on current technical studies and analysis taking into account current and future contract costs, referable to awarded contracts where available. Where necessary, costs are indexed and discounted using general construction industry data available.

# State Property Authority

## Notes to and Forming Part of the Financial Statements

For the Ten Months Ended 30 June 2007

12. CHANGES IN EQUITY	Consolidated 2007 \$'000	Authority 2007 \$'000
<b>(a) Retained Earnings</b>		
Balance at Beginning of Period	-	-
Asset Sale Proceeds Transferred to the Crown Finance Entity	(1,854)	(1,854)
Transfer from the Department of Commerce (Note 13(a))	(557)	(557)
Transfer from the Crown Property Portfolio (Note 13(b))	128,827	128,827
Operating Surplus/(Deficit) for the Period	3,511	3,511
Transfers from/(to) Asset Revaluation Reserve	-	-
<b>Total Retained Earnings</b>	<b>129,927</b>	<b>129,927</b>
<b>(b) Asset Revaluation Reserve</b>		
Balance at Beginning of Period	-	-
Increment/(Decrement) on Revaluation of Assets (Note 8(b)(i))	52,110	52,110
Transfer to Retained Earnings on Disposal of Asset	-	-
Transfer to Retained Earnings for Assets Held for Sale	-	-
<b>Total Asset Revaluation Reserve</b>	<b>52,110</b>	<b>52,110</b>

The total asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets. This accords with the Authority's policy on the Revaluation of Property, Plant and Equipment (Note 1 (i)).

13. INCREASE/DECREASE IN NET ASSETS FROM EQUITY TRANSFERS	Consolidated 2007 \$'000	Authority 2007 \$'000
<b>(a) Transfer from Department of Commerce</b>		
A number of activities formerly conducted by the State Property Group within the Department of Commerce were transferred to the State Property Authority with effect from 1 September 2006, following the enactment of the <i>State Property Authority Act 2006</i> . Net assets acquired were:		
Cash	594	594
Receivables	7,849	7,849
Plant and Equipment	102	102
Intangibles	6	6
<b>Total Assets</b>	<b>8,551</b>	<b>8,551</b>
Payables	4,783	4,783
Provisions	4,325	4,325
<b>Total Liabilities</b>	<b>9,108</b>	<b>9,108</b>
<b>Net Assets</b>	<b>(557)</b>	<b>(557)</b>

# State Property Authority

## Notes to and Forming Part of the Financial Statements

For the Ten Months Ended 30 June 2007

	Consolidated 2007 \$'000	Authority 2007 \$'000
<b>(b) Transfer from Crown Property Portfolio</b>		

On 1 February 2007, the former BHP main steel works site, Kooragang Islands waste emplacement site and other parcels of land in the Newcastle area were transferred from the Crown Property Portfolio and vested in the State Property Authority. The cash to fund the remediation work required, together with the provision for the estimated cost of remediation works remaining along with other related assets or liabilities were transferred at the same time. Net assets acquired were:

Cash	120,777	120,777
Receivables	4,483	4,483
Land	137,700	137,700
<b>Total Assets</b>	<b>262,960</b>	<b>262,960</b>
Payables	12,699	12,699
Provisions	121,434	121,434
<b>Total Liabilities</b>	<b>134,133</b>	<b>134,133</b>
<b>Net Assets</b>	<b>128,827</b>	<b>128,827</b>

#### 14. EXPENDITURE COMMITMENTS

	Consolidated 2007 \$'000	Authority 2007 \$'000
<b>(a) Capital Expenditure Commitments</b>		
Capital expenditure contracted at balance date but not provided for:		
Payable within one year	73	73
Payable later than one year but not later than five years	-	-
Payable later than five years	-	-
<b>Total Capital Expenditure Commitments (Including GST)</b>	<b>73</b>	<b>73</b>

Capital expenditure commitments as at 30 June 2007 include GST recoverable input tax credits of \$6,650 that are expected to be recoverable from the Australian Taxation Office. The GST recoverable is a contingent asset. Total commitments relate to the relocation and fitout of the Authority's office accommodation from the McKell building to Bligh House in the Sydney CBD.

#### **(b) Operating Expenditure Commitments**

Operating expenditure contracted at balance date but not provided for:		
Payable within one year	173	173
Payable later than one year but not later than five years	-	-
Payable later than five years	-	-
<b>Total Operating Expenditure Commitments (Including GST)</b>	<b>173</b>	<b>173</b>

Operating expenditure commitments as at 30 June 2007 include GST recoverable input tax credits of \$15,706 that are expected to be recoverable from the Australian Taxation Office. The GST recoverable is a contingent asset. Total commitments relate to office accommodation costs in relation to office space occupied by the Authority in the McKell building for the period 1 July to 30 September 2007.

# State Property Authority

## Notes to and Forming Part of the Financial Statements

For the Ten Months Ended 30 June 2007

### 15. CONTINGENT ASSETS/LIABILITIES

Apart from the amounts disclosed in note 14 relating to GST amounts expected to be recovered from the Australian Taxation Office, there are no known contingent assets or liabilities at balance date.

<b>16. RECONCILIATION OF NET OPERATING RESULT TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>Consolidated 2007 \$'000</b>	<b>Authority 2007 \$'000</b>
<b>Operating Surplus/(Deficit) for the Period</b>	<b>3,511</b>	<b>3,511</b>
<b>Non Cash Expenses/(Revenues):</b>		
Depreciation and Amortisation	55	55
Loss/(Gain) on Disposal of Non-Current Assets	126	126
<b>Changes in Operating Assets and Liabilities:</b>		
Decrease/(Increase) in Receivables	321	321
Increase/(Decrease) in Payables	1,374	1,374
Increase/(Decrease) in Provisions	(8,282)	(8,282)
<b>Net Cash Flow From Operating Activities</b>	<b>(2,895)</b>	<b>(2,895)</b>

### 17. EVENTS AFTER BALANCE SHEET DATE

#### (a) Adjusting Events

There are no known after balance date events which would give rise to a material impact on the reported results or financial position of the Authority as at 30 June 2007.

#### (b) Non-Adjusting Events

On 1 July 2007, the Crown Property Portfolio (CPP), formerly within the Crown Finance Entity, ceased to exist as a separate reporting entity. Under the provisions of the *State Property Act 2006*, all the properties contained in the CPP were vested in the State Property Authority on that date. As a consequence, all assets, liabilities, revenues and expenses relating to the commercial activities of these properties will be reflected in the financial report of the Authority for the financial year ending 30 June 2008 and all financial years thereafter.

The estimated quantum financial effect on the Authority's accounts in 2007-08 will be:

- (i) an increase in operating revenue of approximately \$246 million;
- (ii) an increase in operating expenses of approximately \$126 million; and
- (iii) a transfer in of net assets totalling approximately \$513 million (comprising total assets of \$ 776 million and total liabilities of \$263 million).

**End of Audited Financial Statements**

# Office of the State Property Authority

## Financial Report

### For the Ten Months Ended 30 June 2007

#### Statement by the Chief Executive Officer

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

- (a) The accompanying financial statements exhibit a true and fair view of the financial position of the Office of the State Property Authority as at 30 June 2007 and the transactions for the year then ended.
- (b) The financial report complies with applicable Australian Accounting Standards (which include Australian Equivalents to International Financial Reporting Standards (AEIFRS)), the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2005*, and the Treasurer's Directions.

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



**M A Skewes**

Chief Executive Officer  
State Property Authority

SYDNEY  
18 October 2007



GPO BOX 12  
Sydney NSW 2001

## INDEPENDENT AUDITOR'S REPORT

### Office of the State Property Authority

To Members of the New South Wales Parliament

I have audited the accompanying financial report of the Office of the State Property Authority (the Office) which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the period from 1 September 2007 to 30 June 2007, a summary of significant accounting policies and other explanatory notes.

#### *Auditor's Opinion*

In my opinion, the financial report:

- presents fairly, in all material respects, the financial position of the Office as of 30 June 2007, and of its financial performance and its cash flows for the period then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2005.

#### *Chief Executive Officer's Responsibility for the Financial Report*

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

#### *Auditor's Responsibility*

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

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

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

My opinion does *not* provide assurance:

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

***Independence***

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

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



Mark Abood CPA  
Director, Financial Audit Services

22 October 2007  
SYDNEY

# Office of the State Property Authority

Start of Audited Financial Statements

## Income Statement

For the 10 Months Ended 30 June 2007

	Note	2007 \$'000
<b>Revenue</b>		
Personnel Services Income	2	5,705
<b>Total Revenue</b>		<u>5,705</u>
<b>Expenses</b>		
Employee Related Expenses	3	5,705
<b>Total Expenses</b>		<u>5,705</u>
<b>Net Surplus/(Deficit) from Ordinary Activities</b>		<u><u>-</u></u>

[The accompanying notes form part of these statements]

# Office of the State Property Authority

## Balance Sheet

As At 30 June 2007

	Note	2007 \$'000
<b>Current Assets</b>		
Receivables	4	3,690
<b>Total Current Assets</b>		<b>3,690</b>
<b>Non-Current Assets</b>		
Receivables	4	449
<b>Total Non Current Assets</b>		<b>449</b>
<b>TOTAL ASSETS</b>		<b>4,139</b>
<b>Current Liabilities</b>		
Payables	5	441
Provisions	6	3,249
<b>Total Current Liabilities</b>		<b>3,690</b>
<b>Non-Current Liabilities</b>		
Provisions	6	449
<b>Total Non-Current Liabilities</b>		<b>449</b>
<b>TOTAL LIABILITIES</b>		<b>4,139</b>
<b>NET ASSETS</b>		<b>-</b>
<b>EQUITY</b>		
Retained Earnings	8	-
<b>TOTAL EQUITY</b>		<b>-</b>

[The accompanying notes form part of these statements]

# Office of the State Property Authority

## Statement of Changes in Equity

For the 10 Months Ended 30 June 2007

	Note	2007 \$'000
Gain/(Loss) on Property Revaluation		-
Net Increases/(Decreases) in Equity		-
<b>Net Income and Expense Recognised Directly in Equity</b>		-
Surplus/(Deficit) for the Period		-
<b>Total Income and Expense Recognised for the Period</b>		-

[The accompanying notes form part of these statements]

# Office of the State Property Authority

## Cash Flow Statement

For the 10 Months Ended 30 June 2007

	Note	2007 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Customers		-
Payments to Suppliers and Employees		-
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Property, Plant and Equipment		-
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<u>-</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		-
Opening Cash and Cash Equivalents		-
<b>CLOSING CASH AND CASH EQUIVALENTS</b>		<u><u>-</u></u>

[The accompanying notes form part of these statements]

# Office of the State Property Authority

## Notes to and Forming Part of the Financial Statements

For the Ten Months Ended 30 June 2007

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Reporting Entity

The Office of the State Property Authority (the Office) is a Division of the Government Service, established pursuant to Part 1 of Schedule 1 to the *Public Sector Employment Legislation Amendment Act 2006*. The Office is consolidated as part of the NSW Total State Sector Accounts and commenced operations on 1 September 2006. It is domiciled in Australia and its principal office is at 2-24 Rawson Place, Sydney NSW 2000.

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

These financial statements have been authorised for issue by the Chief Executive Officer of the State Property Authority on 18 October 2007.

There are no comparative figures as this is the Office's first financial report.

#### (b) Basis of Preparation

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

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

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

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

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

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

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

# Office of the State Property Authority

## Notes to and Forming Part of the Financial Statements

For the Ten Months Ended 30 June 2007

### (c) Statement of Compliance

The financial statements and accompanying notes comply with Australian Accounting Standards, which include Australian Equivalents to International Financial Reporting Standards (AEIFRS).

Australian Accounting Standards that have recently been issued or amended but are not yet effective and have not been adopted for the reporting period ending 30 June 2007 are:

- AASB 7 & AASB 2005-10 regarding financial instrument disclosures
- AASB 8 & AASB 2007-3 regarding operating segments
- AASB 101 (Oct 2006) regarding presentation of financial statements
- AASB 123 (June 2007) and AASB 2007-6 regarding borrowing costs
- AASB 1049 regarding the general government sector and GFS/GAAP convergence
- AASB 2007-4 regarding Australian additions to and deletions from IFRSs
- AASB 2007-5 regarding inventories held for distribution by not-for-profit entities
- Interpretation 4 (Feb 2007) regarding determining whether an arrangement contains a lease
- Interpretation 10 regarding interim financial reporting
- Interpretation 11 & AASB 2007-1 regarding group and treasury share transactions
- Interpretation 12 & AASB 2007-2 regarding service concession arrangements
- Interpretation 129 (Feb 2007) regarding service concession disclosures

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

### (d) Income

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

### (e) Employee Benefits and Other Provisions

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

Liabilities for salaries and wages (including non-monetary benefits), annual leave and paid sick leave are recognised and measured in respect of employees' services up to the reporting date at undiscounted amounts based on the amounts expected to be paid when the liabilities are settled.

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

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

# Office of the State Property Authority

## Notes to and Forming Part of the Financial Statements

For the Ten Months Ended 30 June 2007

### (ii) Long Service Leave

Long service leave is measured on a short-hand basis. The short-hand method is based on the remuneration rates at year end for all employees with five or more years of service. It is considered that this measurement technique produces results not materially different from the estimate determined by using the present value basis of measurement.

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

### (iii) Superannuation

Defined Contribution Schemes:

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

Defined Benefit Schemes:

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

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

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

### (iv) Other Provisions

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

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

# Office of the State Property Authority

## Notes to and Forming Part of the Financial Statements

For the Ten Months Ended 30 June 2007

### (f) Receivables

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

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

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

### (g) Payables

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

## 2. REVENUE

	<b>2007</b>
	<b>\$'000</b>
Personnel Services Income	5,705
	<b>5,705</b>

## 3. EMPLOYEE RELATED EXPENSES

	<b>2007</b>
	<b>\$'000</b>
Salaries and Wages (Including Recreation Leave)	6,155
Superannuation (Defined Benefit Plans) *	(1,191)
Superannuation (Defined Contribution Plans)	249
Long Service Leave	155
Worker's Compensation Insurance	62
Payroll Tax and Fringe Benefits Tax	275
	<b>5,705</b>

\* The actuarial valuation undertaken on the Office's defined benefit superannuation schemes as at 30 June 2007 (see Note 7), has determined a reduction in the Office's overall net liability of \$1.420 million during the reporting period. For the most part, this reduction has resulted from an increase in the discount rate used to calculate the opening and closing liability from 5.8% to 6.4% respectively and, from an improvement in the expected rate of return on Fund assets from 7.6% to approximately 15%. The resulting reduction in the Office's net liability has been credited in the Income Statement under the Office's defined benefits plan superannuation expense.

# Office of the State Property Authority

## Notes to and Forming Part of the Financial Statements

For the Ten Months Ended 30 June 2007

<b>4. RECEIVABLES</b>	<b>2007</b>
	<b>\$'000</b>
<b>Current</b>	
Receivable from Parent Entity - Annual Leave	723
Receivable from Parent Entity - Accrued Salaries, Wages and On-Costs	441
Receivable from Parent Entity - Long Service Leave On-Costs	217
Long Service Leave Reimbursable from the Crown Entity	2,309
	<b>3,690</b>
<b>Non-Current</b>	
Receivable from Parent Entity - Superannuation (Net)	179
Prepaid Superannuation (Note 7)	270
	<b>449</b>
<b>5. PAYABLES</b>	<b>2007</b>
	<b>\$'000</b>
<b>Current</b>	
Accrued Salaries, Wages and On-Costs	441
	<b>441</b>
<b>6. PROVISIONS</b>	<b>2007</b>
	<b>\$'000</b>
<b>Current</b>	
Annual Leave (a)	723
Long Service Leave (b)	2,309
Long Service Leave On-Costs (b)	217
	<b>3,249</b>
<b>Non-Current</b>	
Superannuation (Note 7)	449
	<b>449</b>
<b>(a) Annual Leave</b>	<b>2007</b>
	<b>\$'000</b>
The amount of annual leave disclosed under "Current" above is increased by on-costs in the determination of the total provision. The provision combines amounts expected to be settled within twelve months (short term) and greater than twelve months (long term) after the reporting date. An estimated dissection of the short and long term liability is:	
Short Term - expected to be settled within 12 months	418
Long Term - not expected to be settled within 12 months	305
	<b>723</b>

# Office of the State Property Authority

## Notes to and Forming Part of the Financial Statements

For the Ten Months Ended 30 June 2007

### (b) Long Service Leave

2007  
\$'000

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

Short Term - expected to be settled within 12 months	253
Long Term - not expected to be settled within 12 months	2,273
	<u>2,526</u>

### (c) Aggregate Employee Benefits and Related On-Costs

Provisions - Current	3,249
Provisions - Non-Current	449
Accrued Salaries, Wages and On-Costs (Note 5)	441
	<u>4,139</u>

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

## 7. SUPERANNUATION

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

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

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

All the schemes are closed to new members.

The opening and closing superannuation position for the Office of the State Property Authority's defined benefit schemes as at 1 September 2006 and 30 June 2007 respectively, is based on an actuarial assessment provided by the Fund's actuary, Mercer Human Resource Consulting.

# Office of the State Property Authority

## Notes to and Forming Part of the Financial Statements

For the Ten Months Ended 30 June 2007

### Superannuation Position

<b>As at 30 June 2007</b>	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>
<b>Member Numbers</b>			
Contributors	4	22	18
Deferred Benefits	-	-	-
Pensioners	-	-	-
Pensions Fully Commuted	-	-	-
<b>Superannuation Position for AASB 119 Purposes</b>			
Accrued Liability	(1,174)	(796)	(10,246)
Estimated Reserve Account Balance	1,272	968	9,797
	<u>98</u>	<u>172</u>	<u>(449)</u>
Future Service Liability *	<u>(317)</u>	<u>(301)</u>	<u>(891)</u>
Surplus in Excess of Recovery Available from Schemes	-	-	-
Asset/(Liability) Recognised in the Balance Sheet	<u>98</u>	<u>172</u>	<u>(449)</u>

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

### Reconciliation of the Present Value of the Defined Benefit Obligation

<b>For the Ten Months Ended 30 June 2007</b>	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>
<b>Present Value of Partly Funded Defined Benefit Obligations at Beginning of the Period</b>	<b>(788)</b>	<b>(661)</b>	<b>(9,589)</b>
Current Service Cost	(27)	(30)	(137)
Interest Cost	(38)	(31)	(463)
Contributions by Fund Participants	(13)	-	(133)
Actuarial Gains/(Losses)	(118)	61	99
Benefits Paid	(190)	(135)	(23)
Past Service Cost	-	-	-
Curtailments	-	-	-
Settlements	-	-	-
Business Combinations	-	-	-
Exchange Rate Changes	-	-	-
<b>Present Value of Partly Funded Defined Benefit Obligations at End of the Period</b>	<b><u>(1,174)</u></b>	<b><u>(796)</u></b>	<b><u>(10,246)</u></b>

# Office of the State Property Authority

## Notes to and Forming Part of the Financial Statements

For the Ten Months Ended 30 June 2007

### Reconciliation of the Fair Value of Fund Assets

For the Ten Months Ended 30 June 2007	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>
<b>Fair Value of Fund Assets at Beginning of the Period</b>	<b>792</b>	<b>741</b>	<b>7,906</b>
Expected Return on Fund Assets	49	45	500
Actuarial Gains/(Losses)	203	46	1,235
Employer Contributions	25	1	-
Contributions by Fund Participants	13	-	133
Benefits Paid	190	135	23
Settlements	-	-	-
Business Combinations	-	-	-
Exchange Rate Changes	-	-	-
<b>Fair value of Fund assets at end of the Period</b>	<b>1,272</b>	<b>968</b>	<b>9,797</b>

### Reconciliation of the Assets and Liabilities Recognised in the Balance Sheet

For the Ten Months Ended 30 June 2007	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>
Present Value of Partly Funded Defined Benefit Obligations at End of the Period	(1,174)	(796)	(10,246)
Fair Value of Fund Assets at End of the Period	1,272	968	9,797
<b>Subtotal</b>	<b>98</b>	<b>172</b>	<b>(449)</b>
Unrecognised Past Service Cost	-	-	-
Unrecognised Gain/(Loss)	-	-	-
Adjustment for Limitation on Net Asset	-	-	-
<b>Net Asset/(Liability) Recognised in Balance Sheet at End of the Period</b>	<b>98</b>	<b>172</b>	<b>(449)</b>

### Expense Recognised in the Income Statement

For the Ten Months Ended 30 June 2007	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>
Current Service Cost	(27)	(30)	(137)
Interest Cost	(38)	(31)	(463)
Expected Return on Fund Assets (Net of Expenses)	49	45	500
Actuarial Gains/(Losses) Recognised in Year	85	107	1,334
Past Service Cost	-	-	-
Movement in Adjustment for Limitation on Net Asset	-	-	-
Curtailement or Settlement Gain/(Loss)	-	-	-
<b>Income/(Expense) Recognised</b>	<b>69</b>	<b>91</b>	<b>1,234</b>

# Office of the State Property Authority

## Notes to and Forming Part of the Financial Statements

For the Ten Months Ended 30 June 2007

### Fund Assets

The percentage invested in each asset class as at 30 June 2007:

<b>As at 30 June:</b>	<b>2007</b>
	<b>%pa</b>
Australian Equities	33.6
Overseas Equities	26.5
Australian Fixed Interest Securities	6.8
Overseas Fixed Interest Securities	6.4
Property	10.1
Cash	9.8
Other	6.8

### Fair Value of Fund Assets

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

### Expected Rate of Return on Assets

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

### Actual Return on Fund Assets

<b>For the Ten Months Ended 30 June 2007</b>	<b>SASS</b>	<b>SANCS</b>	<b>SSS</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Actual Return on Fund Assets	114	91	977

### Valuation Method and Principal Actuarial Assumptions at Balance Date

#### **(a) Valuation Method**

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

#### **(b) Economic Assumptions**

<b>As at 30 June:</b>	<b>2007</b>
	<b>%pa</b>
Salary Increase Rate to 2008 (Excluding Promotional Increases)	4.0
Salary Increase Rate after 2008 (Excluding Promotional Increases)	3.5
Rate of CPI Increase	2.5
Expected Return on Assets Backing Current Pension Liabilities	7.6
Expected Return on Assets Backing Other Liabilities	7.6
Discount Rate	6.4

# Office of the State Property Authority

## Notes to and Forming Part of the Financial Statements

For the Ten Months Ended 30 June 2007

### (c) Demographic Assumptions

The demographic assumptions at 30 June 2007 are equivalent to those used in the 2006 triennial actuarial valuation. The most financially significant include assumptions on:

- (i) The number of SASS and SSS contributors expected in any one year (out of 10,000 members) to leave the funds as a result of death, disability, resignation, retirement and redundancy;
- (ii) The proportion of SSS members assumed to commute their pension to a lump sum in any one year;
- (iii) Assumed mortality rates (in 2006-07) for SSS pensioners; and
- (iv) Per annum assumed rates of mortality improvement for SSS pensioners.

### Historical Information

<b>For the Ten Months Ended 30 June 2007</b>	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>
Present value of Defined Benefit Obligation	(1,174)	(796)	(10,246)
Fair Value of Fund Assets	1,272	968	9,797
Surplus/(Deficit) in Fund	98	172	(449)
Experience Adjustments - Fund Liabilities	(118)	61	99
Experience Adjustments - Fund Assets	203	46	1,235

### Expected Employer Contributions

<b>For 2007-08</b>	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>
Expected Employer Contributions	43	50	301

### Funding Arrangements for Employer Contributions

#### (a) Surplus/(Deficit)

The following is a summary of the 30 June 2007 financial position of the Fund calculated in accordance with AAS25 "Financial Reporting by Superannuation Plans":

<b>As at 30 June 2007</b>	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>
Accrued Benefits	(1,163)	(789)	(9,405)
Net Market Value of Fund Assets	1,272	968	9,797
<b>Net Surplus/(Deficit)</b>	<b>109</b>	<b>179</b>	<b>392</b>

# Office of the State Property Authority

## Notes to and Forming Part of the Financial Statements

For the Ten Months Ended 30 June 2007

### (b) Contribution Recommendations

Recommended contribution rates for the Authority are:

<u>Fund</u>	<u>Contribution Basis</u>	<u>Rate</u>
SASS	Multiple of Member Contributions	1.9
SANCS	Percentage of Member Salary	2.5
SASS	Multiple of Member Contributions	1.6

### (c) Funding Method

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

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

### (d) Economic Assumptions

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

<u>Weighted Average Assumptions</u>	<u>Rate</u> <u>%pa</u>
Expected Return on Fund Assets Backing Current Pension Liabilities	7.7
Expected Return on Fund Assets Backing Other Liabilities	7.0
Expected Rate of Salary Increase	4.0
Expected Rate of CPI Increase	2.5

### Nature of Asset/Liability

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

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

# Office of the State Property Authority

## Notes to and Forming Part of the Financial Statements

For the Ten Months Ended 30 June 2007

### 8. RETAINED EARNINGS

	<u>2007</u> <u>\$'000</u>
Balance at the Beginning of the Period	-
Surplus for the Period	-
Balance at the End of the Period	<u>-</u>

### 9. EVENTS AFTER BALANCE SHEET DATE

There are no known after balance date events which would give rise to a material impact on the reported results or financial position of the Office as at 30 June 2007.

**End of Audited Financial Statements**

## Index

Access to services	inside back cover
Account payment performance	21
Advisory Board	13
Asset acquisitions	12
Annual report – external costs of production	inside back cover
Availability of annual report	inside back cover
Budget outline for 2007-08	20
Charter	4
Consultants	21
Committees	14
Controlled entities	21
Credit cards	22
Electronic service delivery	17
Employee assistance program	15
Energy management	16
Equal Employment Opportunity	16
Ethnic affairs and cultural diversity	16
Financial performance	20
Financial Reports – audited	23
Freedom of information – Statement of Affairs	17
Grants to non-government community organisations	21
History of government property management in NSW	6
Occupational health and safety	15
Organisation structure	5
Privacy management	19
Review of operations	7
Risk management	22
Senior Executive Service officers	13
Social programs	21
Statement by the Chief Executive Officer	3
Staffing	14
Waste minimisation and recycling	17



## **Access to Services**

### **Postal Address:**

GPO Box 5341 Sydney 2001

### **Street Address:**

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

### **Business Hours:**

9.00 am to 5.00 pm Monday to Friday

### **Key Telephone Numbers:**

Facsimile	(02) 9338 7111
Switchboard	(02) 9338 7000
Chief Executive Officer	(02) 9338 7002
Acting General Manager, Portfolio Management	(02) 9338 7110
Acting General Manager, Planning and Strategy	(02) 9338 7083
Acting General Manager, Divestments, Acquisitions and Development	(02) 9338 7050
FOI Coordinator	(02) 9338 7014

## **External Costs of Production**

The total external costs of producing this annual report (including goods and services tax) were \$2,028.

## **Availability of Annual Report**

The annual report is available in a printed format. It will be made available on the Authority's web site, when the web site is established during 2007-08.

Date of publication    31 October 2007  
ISSN                      1835-3983 (Print)