

DPIE Annual report 2019-20 Erratum

This errata notices includes the financial statements for the Planning Ministerial Corporation in the Department of Planning Industry and Environment Annual Report 2019-20. The report was tabled in Parliament on 16 December 2020.

Due to an administrative error, the audited financial statements for the Lands Administration Ministerial Corporation (LAMC) were included in the annual report instead of the Planning Ministerial Corporation (PMC) audited financial statements. There is not an issue regarding the publication of the LAMC financial statements, and they do not have to be withdrawn from publication.

The PMC audited financial statements have been appended to this document.

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INDEPENDENT AUDITOR'S REPORT

Planning Ministerial Corporation

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the Planning Ministerial Corporation (the Corporation), which comprise the Statement of Comprehensive Income for the year ended 30 June 2020, the Statement of Financial Position as at 30 June 2020, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, notes comprising a Summary of Significant Accounting Policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Corporation as at 30 June 2020, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

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

Basis for Opinion

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

I am independent of the Corporation in accordance with the requirements of the:

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

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

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

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

Other Information

The Corporation's annual report for the year ended 30 June 2020 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Secretary of the Department of Planning, Industry and Environment (the Secretary) is responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the Statement by the Secretary pursuant to section 41C of the PF&A Act.

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Secretary's Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

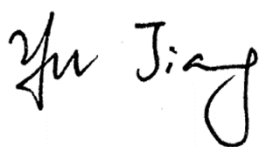
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

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

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

A handwritten signature in black ink, appearing to read 'Yu Jiang'.

Reiky Jiang
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

13 October 2020
SYDNEY

Planning Ministerial Corporation

Annual Financial Statements

for the year ended 30 June 2020

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Planning Ministerial Corporation
Statement by the Secretary
for the year ended 30 June 2020

Pursuant to section 41C of the *Public Finance and Audit Act 1983*, I declare, on behalf of the Planning Ministerial Corporation (the Corporation) that in my opinion:

- (a) The accompanying financial statements have been prepared in accordance with:
- applicable Australian Accounting Standards (which includes Australian Accounting Interpretations);
 - the requirements of the *Public Finance and Audit Act 1983* and *Public Finance and Audit Regulation 2015*; and
 - the Financial Reporting Directions published in the Financial Reporting Code for NSW General Government Sector Entities or issued by the Treasurer;
- (b) The statements and notes exhibit a true and fair view of the financial position as at 30 June 2020 and the financial performance of the Corporation for the year ended 30 June 2020; and
- (c) There are no circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.



Jim Betts
Secretary
Department of Planning, Industry and Environment

Date: 13/10/2020

Planning Ministerial Corporation
Statement of comprehensive income
for the year ended 30 June 2020

		Actual	Budget	Actual
		2020	2020	Restated
	Notes	\$'000	\$'000	2019*
				\$'000
Expenses excluding losses				
Operating expenses				
Personnel services	2(a)	3,205	3,627	2,664
Other operating expenses	2(b)	11,661	12,795	9,042
Depreciation and amortisation	2(c)	2,212	799	3,309
Grants and subsidies	2(d)	12,111	78,500	3,980
Finance costs	2(e)	6,315	14,556	7,569
Total expenses excluding losses		35,504	110,277	26,564
Revenue				
Investment revenue	3(a)	3,126	4,582	3,366
Grants and contributions	3(b)	14,571	40,716	81,097
Other revenue	3(c)	132	-	3,250
Total revenue		17,829	45,298	87,713
Operating result		(17,675)	(64,979)	61,149
Gains / (losses) on disposal	4	66,565	18,596	2,697
Net result		48,890	(46,383)	63,846
Other comprehensive income				
<i>Items that will not be reclassified to net result in subsequent periods</i>				
Net increase / (decrease) in property, plant and equipment revaluation reserve	10	42,034	-	(95,742)
Total other comprehensive income		42,034	-	(95,742)
TOTAL COMPREHENSIVE INCOME		90,924	(46,383)	(31,896)

*The prior year comparative has been restated. Refer to Note 25 for further details.

The accompanying notes form part of these financial statements.

Planning Ministerial Corporation
Statement of financial position
as at 30 June 2020

		Actual	Budget	Actual
		2020	2020	Restated
	Notes	\$'000	\$'000	2019*
				\$'000
ASSETS				
Current assets				
Cash and cash equivalents	5	82,316	37,504	48,232
Receivables	6	51,642	3,337	13,289
Other financial assets	8	4,266	6,087	4,188
		138,224	46,928	65,709
Land held for sale	9	-	651	7,716
Total current assets		138,224	47,579	73,425
Non-current assets				
Receivables	6	911	-	957
Property, plant and equipment				
Land and buildings	10	1,707,485	1,809,674	1,905,021
Plant and equipment	10	718	792	898
Total property, plant and equipment		1,708,203	1,810,466	1,905,919
Intangible assets	12	16,330	188	16,330
Total non-current assets		1,725,444	1,810,654	1,923,206
Total assets		1,863,668	1,858,233	1,996,631
LIABILITIES				
Current liabilities				
Payables	14	20,842	12,813	120,611
Contract liabilities	7	19	-	-
Borrowings	15	23,150	17,822	27,066
Provisions	16	56	-	62
Total current liabilities		44,067	30,635	147,739
Non-current liabilities				
Borrowings	15	146,558	200,887	138,545
Provisions	16	17,241	-	17,287
Total non-current liabilities		163,799	200,887	155,832
Total liabilities		207,866	231,522	303,571
Net assets		1,655,802	1,626,711	1,693,060
EQUITY				
Reserves	17	966,624	1,015,537	920,560
Accumulated funds		689,178	611,174	767,235
Amounts recognised in equity relating to land held for sale	17	-	-	5,265
Total equity		1,655,802	1,626,711	1,693,060

*The prior year comparative has been restated. Refer to Note 25 for further details.

The accompanying notes form part of these financial statements

Planning Ministerial Corporation
Statement of changes in equity
for the year ended 30 June 2020

	Notes	Restated accumulated funds \$'000	Restated asset revaluation reserve \$'000	Restated available- for-sale reserve \$'000	Restated total equity \$'000
Balance at 1 July 2019		767,954	920,544	5,265	1,693,763
Correction of prior period error*		(719)	16	-	(703)
Restated balance at 1 July 2019		767,235	920,560	5,265	1,693,060
Net result for the year		48,890	-	-	48,890
Other comprehensive income:					
Changes in revaluation reserve of property, plant and equipment	10	-	42,034	-	42,034
Restated total other comprehensive income		-	42,034	-	42,034
Total comprehensive income for the year		48,890	42,034	-	90,924
Transfers to accumulated funds		1,235	4,030	(5,265)	-
Transactions with owners in their capacity as owners					
Increase / (decrease) in net assets from equity transfers	17	(128,182)	-	-	(128,182)
Balance at 30 June 2020		689,178	966,624	-	1,655,802

The accompanying notes form part of these financial statements.

Planning Ministerial Corporation
Statement of changes in equity
for the year ended 30 June 2020

	Notes	Restated accumulated funds \$'000	Restated asset revaluation reserve \$'000	Restated available- for-sale reserve \$'000	Restated total equity \$'000
Balance at 1 July 2018		625,439	1,034,906	631	1,660,976
Net result for the year		63,846	-	-	63,846
Other comprehensive income:					
Changes in revaluation reserve of property, plant and equipment	10	-	(113,940)	5,265	(108,675)
Correction of prior period error*		-	12,933	-	12,933
Total other comprehensive income		-	(101,007)	5,265	(95,742)
Total comprehensive income for the year		63,846	(101,007)	5,265	(31,896)
Transfers to accumulated funds		1,053	(422)	(631)	-
Correction of prior period error*		12,917	(12,917)	-	-
Restated transfers to accumulated funds*		13,970	(13,339)	(631)	-
Transactions with owners in their capacity as owners					
Increase / (decrease) in net assets from equity transfers		77,616	-	-	77,616
Correction of prior period error*		(13,636)	-	-	(13,636)
Restated increase / (decrease) in net assets from equity transfers*	17	63,980	-	-	63,980
Balance at 30 June 2019		767,235	920,560	5,265	1,693,060

The accompanying notes form part of these financial statements.

*The prior year comparative has been restated. Refer to Note 25 for further details.

Planning Ministerial Corporation
Statement of cash flows
for the year ended 30 June 2020

	Notes	Actual 2020 \$'000	Budget 2020 \$'000	Actual 2019 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
Personnel services		(3,205)	(3,627)	(2,664)
Grants and subsidies		(11,430)	(4,000)	(2,649)
Finance costs		(6,334)	(14,556)	(7,752)
Other payments		(18,942)	(16,795)	(17,505)
Total payments		(39,911)	(38,978)	(30,570)
Receipts				
Grants and contributions		14,571	32,000	69,117
Sale of goods and services		-	1,474	3,000
Interest received		251	3,108	842
Other receipts		22,053	12,716	18,320
Total receipts		36,875	49,298	91,279
NET CASH FLOWS FROM OPERATING ACTIVITIES	21	(3,036)	10,320	60,709
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of property, plant and equipment		61,387	43,596	6,975
Purchases of property, plant and equipment		(28,286)	(102,000)	(92,304)
Purchase of investments	8	(78)	-	(101)
NET CASH FLOWS FROM INVESTING ACTIVITIES		33,023	(58,404)	(85,430)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from borrowings and advances	15	4,648	25,000	15,000
Repayment of borrowings and advances	15	(551)	-	(18,098)
NET CASH FLOWS FROM FINANCING ACTIVITIES		4,097	25,000	(3,098)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		34,084	(23,084)	(27,819)
Opening cash and cash equivalents		48,232	60,588	76,051
CLOSING CASH AND CASH EQUIVALENTS	5	82,316	37,504	48,232

The accompanying notes form part of these financial statements.

1. Summary of significant accounting policies

(a) Reporting entity

The Planning Ministerial Corporation (the Corporation) incorporating the Sydney Region Development Fund, operates under the provisions of the *Environmental Planning and Assessment Act 1979* to acquire and develop lands required for planning purposes within the Sydney Region. The Corporation is a separate reporting entity. There are no other entities under its control.

The Corporation is a NSW government statutory body. Though the Corporation has cash generating units, it is a not-for-profit entity as profit is not its principal objective. The reporting entity is consolidated as part of the NSW Total State Sector Accounts.

Under the *Administrative Arrangements (Administrative Changes – Public Service Agencies) Order 2019*, the Department of Planning and Environment (DPE) was abolished with effect from 1 July 2019. The Department of Planning, Industry and Environment was created, and staff allocated to perform the Corporation's functions were transferred to the new Department.

These financial statements for the year ended 30 June 2020 have been authorised for issue by the Secretary of the Department of Planning, Industry and Environment on the date the accompanying statement by the Secretary was signed. The affairs of the Corporation are managed by the Secretary under the direction of the Minister for Planning.

(b) Basis of preparation

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

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations);
- the requirements of the *Public Finance and Audit Act 1983* (the Act) and *Public Finance and Audit Regulation 2015*; and
- Treasurer's Directions issued under the Act.

Property, plant and equipment and assets (or disposal groups) held for sale are measured at fair value. Other financial statement items are prepared in accordance with the historical cost convention except where specified otherwise.

The financial statements are prepared on a going concern basis. Refer to Note 1(g) for details regarding the impact of COVID-19 and the delayed 2020-21 NSW budget.

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

All amounts are rounded to the nearest one thousand dollars unless stated otherwise and are expressed in Australian currency, which is the Corporation's presentation and functional currency.

(c) Statement of compliance

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

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

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

- amount of GST incurred by the Corporation as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of an asset's cost of acquisition or as part of an item of expense and
- receivables and payables are stated with the amount of GST included.

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

1. Summary of significant accounting policies (cont'd)

(e) Shareholdings

The Corporation has 6 shares out of a total shareholding of 12 in a private company. This private company was formed solely as a management company for one of the Biodiversity Stewardship Agreements (BSA) in which the Corporation is now a landholder. For that BSA, there are 12 lots involved in which each lot of land is allocated 1 share. As the Corporation owns 6 of the 12 lots, 6 shares out of a total of 12 shares are owned by the Corporation. Land management works specified in the BSA are funded through monies receivable from the NSW Biodiversity Conservation Trust (BCT). Based on the most recent information held by the Corporation, as at June 2019, net equity of the private company was \$12. The Corporation's share of this equity amounts to \$6.

(f) Comparative information

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

In the 2018-19 financial statements, the rental income line item was disclosed under sale of goods and services. In the 2019-20 financial statements, these are now disclosed under investment revenue to align with the nature of the revenue. As a result, the 2018-19 comparative details have been reclassified to investment revenue.

(g) COVID-19 and Delayed 2020-21 NSW Budget

With rent deferral and rent waiver applications serving as an indicator, COVID-19 has had no material impact. The Corporation received a one-off grant income from the NSW State Government through Department of Planning, Industry and Environment for revenue loss. Due to COVID-19, the State Budget and related 2020-21 Appropriation Bill has been delayed and is anticipated to be tabled in Parliament in November/December 2020. However, pursuant to section 4.10 of the GSF Act, the Treasurer has authorised Ministers to spend specified amounts from Consolidated Fund. This authorisation is current from 1 July 2020 until the earlier of 31 December 2020 (or another day prescribed by the regulations) or enactment of the 2020-21 annual Appropriations Act. Therefore, it is appropriate for the 2019-20 financial statements to be prepared on a going concern basis.

(h) Changes in accounting policy, including new or revised Australian Accounting Standards

(i) Effective for the first time in 2019-20

The Corporation applied AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of Not-for-Profit Entities*, and AASB 16 *Leases* for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below. Several other amendments and interpretations apply for the first time in the 2019-20 financial year, but do not have an impact on the financial statements of the Corporation.

AASB 15 Revenue from Contracts with Customers (AASB 15)

AASB 15 supersedes AASB 111 *Construction Contracts*, AASB 118 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

AASB 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures.

In accordance with the transition provisions in AASB 15, the Corporation has adopted AASB 15 retrospectively with the cumulative effect of initially adopting the standard recognised at the date of initial application, i.e. 1 July 2019. The Corporation has used the transitional practical expedient permitted by the standard to reflect the aggregate effect of all the modifications that occur before 1 July 2019 when:

- Identifying the satisfied and unsatisfied performance obligations
- Determining the transaction price
- Allocating the transaction price to the satisfied and unsatisfied performance obligations.

1. Summary of significant accounting policies (cont'd)

(h) *Changes in accounting policy, including new or revised Australian Accounting Standards (cont'd)*

(i) *Effective for the first time 2019-20 (cont'd)*

AASB 15 Revenue from Contracts with Customers (AASB 15) (cont'd)

The impact of applying the above practical expedients is not expected to significantly affect the financial statements.

The effect of adopting AASB 15 is as follows:

Impact on the statement of comprehensive income (increase / (decrease)):

		30 June 2020 \$'000	30 June 2020 \$'000 Without adoption of AASB 15	30 June 2020 \$'000 Impact of AASB 15
	Notes	AASB 15		
Revenue				
Other income		-	19	(19)
Operating result		-	19	(19)
Net result		-	19	(19)

Impact on Statement of Financial Position (increase / (decrease)):

		30 June 2020 \$'000	30 June 2020 \$'000 Without adoption of AASB 15	30 June 2020 \$'000 Impact of AASB 15
	Notes	AASB 15		
Liabilities				
Contract liabilities		19	-	19
Total adjustment to equity		19	-	19

The adoption of AASB 15 did not have an impact on the statement of cash flows for the financial year.

AASB 1058 Income of Not-for-Profit Entities (AASB 1058)

AASB 1058 replaces most of the existing requirements in AASB 1004 *Contributions*. The scope of AASB 1004 is now limited mainly to contributions by owners (including parliamentary appropriations that satisfy the definition of contribution by owners), administrative arrangements and liabilities of government departments assumed by other entities.

AASB 1058 applies to income with a donation component, i.e. transactions where the consideration to acquire an asset is significantly less than the fair value principally to enable a not-for-profit entity to further its objectives; and volunteer services. AASB 1058 adopts a residual approach, meaning that entities first apply other applicable Australian Accounting Standards (e.g. AASB 1004, AASB 15, AASB 16, AASB 9, AASB 137) to a transaction before recognising income.

Not-for-profit entities need to determine whether a transaction is/contains a donation (accounted for under AASB 1058) or a contract with customer (accounted for under AASB 15).

AASB 1058 requires recognition of receipt of an asset, after the recognition of any related amounts in accordance with other Australian Accounting Standards, as income:

- When the obligations under the transfer is satisfied, for transfers to enable an entity to acquire or construct a recognisable non-financial asset that will be controlled by the entity.
- Immediately, for all other income within the scope of AASB 1058.

1. Summary of significant accounting policies (cont'd)

(h) Changes in accounting policy, including new or revised Australian Accounting Standards (cont'd)

(i) Effective for the first time 2019-20 (cont'd)

AASB 1058 Income of Not-for-Profit Entities (cont'd)

In accordance with the transition provisions in AASB 1058, the Corporation has adopted AASB 1058 retrospectively with the cumulative effect of initially applying the standard at the date of initial application, i.e. 1 July 2019. The Corporation has adopted the practical expedient in AASB 1058 whereby existing assets acquired for consideration significantly less than fair value principally to enable the Corporation to further its objectives, are not restated to their fair value.

The adoption of AASB 1058 did not have an impact on statement of comprehensive Income, statement of financial position nor statement of cash flows for the financial year.

AASB 16 Leases (AASB 16)

AASB 16 supersedes AASB 117 *Leases*, Interpretation 4 *Determining whether an Arrangement contains a Lease*, Interpretation 115 *Operating Leases – Incentives* and Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on balance sheet.

Lessor accounting

Lessor accounting under AASB 16 is substantially unchanged from AASB 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in AASB 117. Therefore, AASB 16 does not have a significant impact for leases where the Corporation is the lessor.

Lessee accounting

AASB 16 requires the Corporation to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under AASB 117. As the lessee the Corporation recognises a lease liability and right-of-use asset at the inception of the lease. The lease liability is measured at the present value of the future lease payments, discounted using the interest rate implicit in the lease, or the lessee's incremental borrowing rate if the interest rate implicit in the lease cannot be readily determined. The corresponding right of use asset is measured at the value of the lease liability adjusted for lease payments before inception, lease incentives, initial direct costs and estimates of costs for dismantling and removing the asset or restoring the site on which it is located.

The Corporation has adopted the partial retrospective option in AASB 16, where the cumulative effect of initially applying AASB 16 is recognised on 1 July 2019 and the comparatives for the year ended 30 June 2019 are not restated.

In relation to leases that had previously been classified as 'operating leases' under AASB 117, a lease liability is recognised at 1 July 2019 at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application.

The corresponding right-of-use asset is initially recorded on transition at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 30 June 2019. The exception is right-of-use assets that are subject to accelerated depreciation. These assets are measured at their fair value at 1 July 2019.

For leases previously classified as finance leases the Corporation recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of AASB 16 are only applied after that date.

The Corporation elected to use the practical expedient to expense lease payments for lease contracts that at their commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is valued at \$10,000 or under when new (low-value assets).

1. Summary of significant accounting policies (cont'd)

(h) Changes in accounting policy, including new or revised Australian Accounting Standards (cont'd)

(i) Effective for the first time 2019-20 (cont'd)

AASB 16 Leases (cont'd)

In applying AASB 16 for the first time, the Corporation has used the following practical expedients permitted by the standard:

- Not reassess whether a contract is, or contains, a lease at 1 July 2019, for those contracts previously assessed under AASB 117 and Interpretation 4.
- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relying on its previous assessment on whether leases are onerous immediately before the date of initial application as an alternative to performing an impairment review
- Not recognising a lease liability and right-of-use asset for short-term leases that end within 12 months of the date of initial application
- Excluding the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Using hindsight in determining the lease term where the contract contained options to extend or terminate the lease

There has been no effect of adoption of AASB 16 as at 1 July 2019.

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of 30 June 2019, as follows:

	\$'000
Operating lease commitments as at 30 June 2019 (GST included)	125
(Less): Adjustment due to changes to lease conditions (GST included)	(120)
(Less): GST included in operating lease commitments	(1)
Operating lease commitments as at 30 June 2019 (GST excluded)	<u>4</u>
Weighted average incremental borrowing rate as at 1 July 2019	-
Discounted operating lease commitments as at 1 July 2019	4
Add: commitments related to leases previously classified as finance leases (GST excluded)	-
(Less): commitments relating to short-term leases	(4)
(Less): commitments relating to leases of low-value assets	-
Lease liabilities as at 1 July 2019	<u>-</u>

1. Summary of significant accounting policies (cont'd)

(h) Changes in accounting policy, including new or revised Australian Accounting Standards (cont'd)

(ii) Issued but not yet effective

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

The following standards have been assessed for their possible impact on the financial statements, if any, in the period of their initial application. None of the standards listed below are likely to have any material impact:

- AASB 17 *Insurance Contracts* - establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the Standard - effective from 1 January 2021.
- AASB 1059 *Service Concession Arrangements: Grantors* - The objective of this Standard is to prescribe the accounting for a service concession arrangement by a grantor that is a public sector entity - effective from 1 January 2020.
- AASB 2018-5 *Amendments to Australian Accounting Standards – Deferral of AASB 1059* - effective from 1 January 2019 to defer the effective date of AASB 1059 from 1 January 2020.
- AASB 2018-6 *Amendments to Australian Accounting Standards – Definition of a Business* - amends Australian Accounting Standard AASB 3 Business Combinations (August 2015) as a consequence of the issuance of International Financial Reporting Standard Definition of a Business (Amendments to IFRS 3) by the International Accounting Standards Board in October 2018 - effective from 1 January 2020.
- AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of Material* - This Standard makes amendments to several AAS, the Framework for the Preparation and Presentation of Financial Statements and AASB Practice Statement 2; as a consequence of the issuance of International Financial Reporting Standard Definition of Material (Amendments to IAS 1 and IAS 8) by the International Accounting Standards Board in October 2018 - effective from 1 January 2020.
- AASB 2019-1 *Amendments to Australian Accounting Standards – References to the Conceptual Framework* - This Standard makes amendments to Australian Accounting Standards, Interpretations and other pronouncements to permit other entities to continue using the Framework for the Preparation and Presentation of Financial Statements adopted by the AASB in 2004 (Framework) and Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity* to determine whether they are a reporting entity that needs to prepare general purpose financial statements that comply with Australian Accounting Standards - effective from 1 January 2020.
- AASB 2019-2 *Amendments to Australian Accounting Standards – Implementation of AASB 1059* - This Standard amends AASB 16 *Leases* (February 2016) and AASB 1059 *Service Concession Arrangements: Grantors* (July 2017) to amend transitional relief relating to service concession arrangements and incorporate editorial amendments - effective from 1 January 2020.
- AASB 2019-3 *Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform* - This Standard amends Australian Accounting Standards AASB 7, AASB 9 *Financial Instruments* and AASB 139 *Financial Instruments* as a consequence of the issuance of International Financial Reporting Standard Interest Rate Benchmark Reform by the International Accounting Standards Board in September 2019 - effective from 1 January 2020.
- AASB 2019-7 *Amendments to Australian Accounting Standards – Disclosure of GFS Measures of Key Fiscal Aggregates and GAAP/GFS Reconciliations* - This Standard amends AASB 1049 *Whole of Government and General Government Sector Financial Reporting* (October 2007) to provide optional relief from the disclosure of key fiscal aggregates measured in accordance with the ABS GFS Manual where they differ from the key fiscal aggregates provided pursuant to paragraph 16 of AASB 1049 and reconciliation of the two measures, subject to additional qualitative disclosure of the differences between the two measures - effective 1 January 2020.

2. Expenses excluding losses

(a) Personnel services

	2020 \$'000	2019 \$'000
Salaries and wages (including annual leave)	2,798	2,372
Superannuation	240	160
Workers' compensation insurance	6	-
Payroll tax and fringe benefit tax	161	132
	3,205	2,664

Human resources are provided by the Department of Planning, Industry and Environment on a fee for services rendered basis. This fee includes all employee related costs including salaries, superannuation, leave entitlements, payroll tax and workers' compensation insurance. Refer to Note 16.

(b) Other operating expenses

Auditor's remuneration - audit of the financial statements	147	133
Consultants	400	258
Contingent labour	-	416
Property maintenance expenses ¹	7,292	4,576
General administration ²	1,724	1,368
Corporate services fee	861	800
Land management expenses	470	592
Property related other expenses	456	503
Operating lease rental expense:		
• i imum lease payments ²	-	53
Expenses relating to short-term leases	53	-
Bad debts (Note 6)	193	282
Insurance	65	61
	11,661	9,042

¹The total maintenance expense has been sourced from external providers and no employee costs has been incurred.

²A portion of the 2019 amount for operating lease rental expense is now disclosed as expenses relating to general administration to align with the nature of the expense.

Recognition and measurement

Maintenance expense

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

Insurance

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

Lease expense (up to 30 June 2019)

Operating leases

Up to 30 June 2019, operating lease payments were recognised as an operating expense in the statement of comprehensive Income on a straight-line basis over the lease term. An operating lease is a lease other than a finance lease.

Lease expense (from 1 July 2019)

From 1 July 2019, the Corporation recognises the lease payments associated with the following types leases as an expense on a straight-line basis:

2. Expenses excluding losses (cont'd)

(b) Other operating expenses (cont'd)

- Leases that meet the definition of short-term, i.e. where the lease term at commencement of the lease is 12 months or less. This excludes leases with a purchase option.
- Leases of assets that are valued at \$10,000 or under when new.

Variable lease payments not included in the measurement of the lease liability (i.e. variable lease payments that do not depend on an index or a rate, initially measured using the index or rate as at the commencement date). These payments are recognised in the period in which the event or condition that triggers those payments occurs. Refer to Note 1(h).

(c) Depreciation and amortisation expense

	2020 \$'000	2019 \$'000
Depreciation		
Plant and equipment	180	173
Buildings	2,032	3,136
	2,212	3,309

Refer to Note 10 for the recognition and measurement policies and reconciliation of the carrying amount of each class of asset at the end of the year.

(d) Grants and subsidies

Open space improvement and restoration - Metropolitan Greenspace Program	7,571	2,649
Other - Government agencies		
State Government - land sales agreements	3,859	-
Local Government - land transfers	681	1,331
	12,111	3,980

Recognition and measurement

Grants and subsidies are generally comprised of contributions to local government authorities and non-government organisations. These are expensed when the Corporation transfers control of the relevant assets. The Corporation is deemed to have transferred control when the grant is paid or is payable.

(e) Finance costs

Interest expense on borrowings	6,315	7,569
	6,315	7,569

Recognition and measurement

Finance costs consist of interest and other costs incurred in connection with the borrowing of funds. Borrowing costs are recognised as expenses in the year in which they are incurred, in accordance with Treasury's Mandate to not-for-profit NSW General Government Sector entities.

3. Revenue

Recognition and measurement

Until 30 June 2019, income was recognised in accordance with AASB 111 *Construction Contracts*, AASB 118 *Revenue* and AASB 1004 *Contributions*.

From 1 July 2019, income is recognised in accordance with the requirements of AASB 15 or AASB 1058, dependent on whether there is a contract with a customer defined by AASB 15. Comments regarding the accounting policies for the recognition of income are discussed below.

(a) Investment revenue

	2020	2019
	\$'000	\$'000
Interest income	215	511
TCorplM Fund designated at fair value through profit or loss	36	285
Rental income	2,875	2,570
	3,126	3,366

For the 2018-19 comparative, rental income was reallocated from sale of goods and services to investment revenue to align with the nature of the revenue. Refer note 1(f).

Recognition and measurement

Interest income

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

Rental income

Rental income arising from operating leases is accounted for on a straight-line basis over the lease term. The respective leased assets are included in the statement of financial position.

(b) Grants and contributions

	2020	2019
	\$'000	\$'000
Department of Planning, Industry and Environment - grant funding for acquisition of land and construction of improvements ¹	4,793	72,444
Grants and contributions - Local Government - Sydney Region Development Fund ²	-	8,585
State Government - assets received free of charge	-	68
Grants without sufficiently specific performance obligations ²	9,778	-
	14,571	81,097

¹The 2019 amount was received from the former Department of Planning and Environment and included \$40.0 million relating to the acquisition of land & buildings in Parramatta for the proposed construction of a new Museum, as part of the Museum of Applied Arts and Science (MAAS) project and \$31.4 million relating to the Special Infrastructure Contributions (SIC) and Voluntary Planning Agreements (VPA) funded grants revenue.

²Local councils as listed within the Sydney Region Development Fund are levied for contributions to meet interest expenses on and repayment of debt in accordance of Section 7.42 of the *Environmental Planning and Assessment Act 1979*.

Recognition and measurement

Grants and contributions

Contributions from other bodies (including grants and donations) are recognised as revenue when the Corporation obtains control over the assets comprising the contributions. Control over contributions is normally obtained upon the receipt of cash.

for the year ended 30 June 2020

3. Revenue (cont'd)

(b) Grants and contributions (cont'd)

Recognition and measurement (cont'd)

Grants and contributions (cont'd)

Contributions from local councils within the Sydney Region Development Fund are invoiced in July every year.

Until 30 June 2019

Income from grants (other than contribution by owners) was recognised when the Corporation obtained control over the contribution. The Corporation is deemed to have assumed control when the grant is received or receivable.

Contributions were recognised at their fair value. Contributions of services were recognised when and only when a fair value of those services could be reliably determined, and the services would be purchased if not donated.

From 1 July 2019

Grants are received by the Corporation to support its service delivery objectives and the funding agreements typically specify purpose of grants. Some funding agreements have well defined milestones and funding is received by the Corporation upon completion of those milestones.

Income from grants to acquire/construct a recognisable non-financial asset to be controlled by the Corporation is recognised when the Corporation satisfies its obligations under the transfer. The Corporation satisfies the performance obligations under the transfer to construct assets over time as the non-financial assets are being constructed. The actual cost incurred is used to recognise income, because this most closely reflects the progress to completion based on cost recover principles.

Revenue from grants with sufficiently specific performance obligations and agreed funding against each milestone is recognised as when the Corporation satisfies a performance obligation by transferring the promised goods / achieving milestones.

Where the total funding amount in a contract is not allocated to distinct milestones/performance obligations and specifies purpose only, revenue is recognised when the Corporation obtains control over the funds i.e. obtains cash.

No element of financing is deemed present as funding payments are usually received in advance or shortly after the relevant obligation is satisfied.

Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. This is based on past experience and terms specified in the contract.

Refer to Note 7 for transaction price allocated to the performance obligations that have not been satisfied at the end of the year and when it is expected to be recognised as revenue.

Under AASB 1058, receipt of volunteer services is recognised when and only when the fair value of those services can be reliably determined, and the services would have been purchased if not donated. Volunteer services are measured at fair value. As at 30 June 2020, the Corporation did not recognise revenue from volunteer services.

(c) Other income

	2020	2019
	\$'000	\$'000
Contract and license receipts	-	27
Assets received free of charge	-	2,920
Other miscellaneous income	132	303
	132	3,250

3. Revenue (cont'd)

(d) Deemed appropriation

Section 4.7 of the Government Sector Finance (GSF) Act defines deemed appropriation money as government money that the Corporation (a GSF agency) receives or recovers (including from the Commonwealth or another entity) of a kind prescribed by the regulations that:

- forms part of the Consolidated Fund; and
- is not appropriated under the authority of an Act

All payments and receipts of Corporation's operations fall under the category of deemed appropriations.

The statement of cash flows reflect the deemed appropriation movement for the Corporation.

4. Gain on disposal

	2020 \$'000	2019 \$'000
Proceeds from disposal		
Land held for sale (Note 9)	7,716	651
Property, plant and equipment ¹	103,526	6,324
Written down value of assets disposed		
Land held for sale (Note 9)	(7,716)	(651)
Property, plant and equipment (Note 10)	(36,961)	(3,438)
Intangibles (Note 12)	-	(189)
	66,565	2,697

¹Includes proceeds from sale of Lenore Drive land in Ropes Creek Precinct to Sydney Metro for \$99.7 million in 2019-20.

Recognition and measurement

Proceeds from disposal

In relation to sale of land assets, the Corporation recognises revenue when the relevant sales contract is settled.

5. Cash and cash equivalents

	2020 \$'000	2019 \$'000
Cash at bank or on hand	76,467	40,089
TCorpIM Fund balance ¹	5,849	8,143
	82,316	48,232

¹Includes funds held for the maintenance of the Erskine Park Biodiversity Corridor. Refer to Note 14.

For the purposes of the statement of cash flows, cash and cash equivalents include cash at bank, cash on hand and short-term deposits with original maturities of three months or less.

Cash and cash equivalent assets recognised in the statement of financial position are reconciled at the end of the financial year to the statement of cash flows as follows:

Cash and cash equivalents (per statement of financial position)	82,316	48,232
Closing cash and cash equivalents (per statement of cash flows)	82,316	48,232

Refer to Note 22 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

6. Current / non-current assets – receivables

	2020 \$'000	2019 \$'000
Sundry receivables ¹	50,500	12,792
Rents receivable	227	352
Allowance for expected credit losses*	(462)	(269)
	50,265	12,875
BioBanking - Management payments receivables**	967	1,019
GST receivable	1,281	322
Prepayments	40	30
	52,553	14,246

¹The 2020 amount includes \$49.9 million receivable from Sydney Metro for the sale of Lenore Drive, Ropes Creek. The 2019 amount included \$11.9 million receivable from the Department of Planning, Industry and Environment (DPIE) for the acquisition of South St, Marsden Park. DPIE paid this amount during 2019-20.

	2020 \$'000	2019 \$'000
*Movements in the allowance for expected credit losses:		
Balance at the beginning of the year	269	-
Amounts written off during the year	-	(13)
Increase in allowance recognised in net result	193	282
Balance at the end of the year	462	269

Note that all receivables are current, with the exception of Biobanking – management payments receivables which have both current and non-current components. Refer to breakdown in table below.

**BioBanking – Management payments receivables are as follows:

Movements in the BioBanking - Management payments receivables:		
Balance at the beginning of the year	1,019	-
(Decrease) / increase in amounts receivable during the year	(6)	1,019
Management payments received during the year	(46)	-
Balance at the end of the year	967	1,019

Split of Biobanking - Management payments receivables:		
Current	56	62
Non-current	911	957
Total BioBanking - Management payments receivables	967	1,019

Refer to Note 22 for details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired.

Recognition and measurement

All purchases or sales of financial assets are recognised and derecognised on a trade date basis. Purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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

Subsequent measurement

The Corporation holds receivables with the objective to collect the contractual cash flows and therefore measures them at amortised cost using the effective interest method.

6. Current / non-current assets - receivables (cont'd)

Recognition and measurement (cont'd)

Impairment

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

For trade receivables, the Corporation applies a simplified approach in calculating ECLs. The Corporation recognises a loss allowance based on lifetime ECLs at each reporting date. The Corporation has established a provision matrix based on its historical credit loss experience for trade receivables, adjusted for forward-looking factors specific to the receivables. The provision matrix considered the impact of COVID-19 and recent natural disasters and took into account the following:

- increased credit risk associated with debtors as a result of poor trading conditions
- higher receivables balances (i.e. exposure at default) due to recent credit deferment policies of Government and/or late payment
- lost time value of money, if contractual payment dates are extended or amounts are expected to be received later than when contractually due.

BioBanking – Management payments receivable

According to the BioBanking Stewardship Agreements (BSA), when certain conditions are met, the BCT would commence yearly payments to the landowner (the Corporation) to cover the cost of management works specified in the BSA. In the first year, this amount is paid in advance and the subsequent payments are only made when the BCT is satisfied that yearly management works as specified in the BSA have been performed satisfactorily. Accordingly, the Corporation recognises a receivable from BCT representing the net present value of expected annual payments. Refer to Note 16 for recognition of a corresponding liability for future land management works.

7. Contract assets and liabilities

	2020	1 July 2019 adjusted for AASB 15
	\$'000	\$'000
Contract liabilities - current	19	-
	19	-

Recognition and measurement

Contract assets relate to the Corporation's right to consideration in exchange for goods transferred to customers/works completed, but not billed at the reporting date. The Corporation has no contract assets as at 30 June 2020.

Contract liabilities relate to consideration received in advance from BCT in respect of BioBanking management actions.

for the year ended 30 June 2020

8. Current assets - other financial assets

	2020 \$'000	2019 \$'000
Investments - Term Deposits		
Balance at the beginning of the year	4,188	4,087
Acquisitions during the year	78	101
Balance at the end of the year	4,266	4,188

Refer to Note 22 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

Restricted investments included in other financial assets:

Investments - Term Deposits - Penrith Lakes ¹	4,266	4,188
	4,266	4,188

¹This represents cash received from the Penrith Lakes Development Corporation for the discharge of its obligations to provide certain facilities at the Penrith Lakes scheme. The Corporation will hold these funds until such time the Government appoints a relevant authority which will be responsible for these facilities. A corresponding liability is reported in "other liabilities" (Refer to Note 14).

Recognition and measurement

Purchases or sales of other financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognised and derecognised on a trade date basis.

Other financial assets are initially measured at fair value plus any transaction cost.

Subsequent measurement

Financial assets at amortised cost

Other financial assets are classified and subsequently measured at amortised cost as they are held for collection of contractual cash flows solely representing payments of principal and interest. Impairment losses are presented as separate line item in the statement of comprehensive income. Any gain or loss arising on derecognition is recognised directly in net results and presented in other gains/(losses) together with foreign exchange gains and losses.

9. Current assets – land held for sale

	2020 \$'000	2019 \$'000
Balance at 1 July	7,716	651
<u>Less:</u>		
• Land sold or disposed	(7,716)	(651)
<u>Add:</u>		
• Net transfers from property, plant and equipment (Note 10)	-	7,716
Balance at end of year	-	7,716

These are land assets which have been identified as surplus land and are expected to be included in the disposal process within the next financial year.

There are no land assets identified as held for sale at 30 June 2020.

Further details regarding fair value measurement are disclosed in Note 13.

Recognition and measurement

The Corporation has certain non-current assets (or disposal groups) classified as held for sale, where their carrying amount will be recovered principally through a sale transaction, not through continuing use. These assets are measured at the lower of their carrying amount and fair value less costs of disposal. Impairment losses are recognised immediately as expenses in the net result. These assets are not depreciated / amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held-for-sale are continued to be recognised.

10. Non-current assets - property, plant and equipment

(a) *Total property, plant and equipment*

	Plant & equipment \$'000	Buildings \$'000	Core land \$'000	Non-core land \$'000	Total \$'000
At 1 July 2019 - fair value					
Gross carrying amount	3,928	170,592	1,002,266	819,315	1,996,101
Accumulated depreciation	(3,030)	(87,152)	-	-	(90,182)
Net carrying amount*	898	83,440	1,002,266	819,315	1,905,919
At 30 June 2020 - fair value					
Gross carrying amount	3,928	84,488	843,788	829,855	1,762,059
Accumulated depreciation	(3,210)	(50,646)	-	-	(53,856)
Net carrying amount	718	33,842	843,788	829,855	1,708,203

*The prior year comparative has been restated. Refer to Note 25 for further details.

Reconciliation

A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the current reporting period is set out below:

	Plant & equipment \$'000	Buildings \$'000	Core land \$'000	Non-core land \$'000	Total \$'000
Year ended 30 June 2020					
Net carrying amount at start of year*	898	83,440	1,002,266	819,315	1,905,919
Additions	-	75	22,198	6,013	28,286
Disposals					
Transfers to Local Councils (Note 2(d))	-	-	(681)	-	(681)
Other transfers (Note 4)	-	(627)	-	(36,334)	(36,961)
Net asset transfers through equity (Note 17)	-	(38,594)	(189,588)	-	(228,182)
Net revaluation	-	(8,779)	9,952	40,861	42,034
Transfers between classes	-	359	(359)	-	-
Depreciation expense (Note 2(c))	(180)	(2,032)	-	-	(2,212)
Net carrying amount at end of year	718	33,842	843,788	829,855	1,708,203

*The prior year comparative has been restated. Refer to Note 25 for further details.

Note the above land assets include those for a joint operation. Refer to Note 24 for further details.

10. Non-current assets - property, plant and equipment (cont'd)

	Plant & equipment \$'000	Buildings \$'000	Core land \$'000	Non-core land \$'000	Total \$'000
At 1 July 2018 - fair value					
Gross carrying amount	3,806	93,112	836,171	875,833	1,808,922
Accumulated depreciation	(2,783)	(47,956)	-	-	(50,739)
Net carrying amount*	1,023	45,156	836,171	875,833	1,758,183
At 30 June 2019 - fair value					
Gross carrying amount	3,928	170,592	1,002,266	819,315	1,996,101
Accumulated depreciation	(3,030)	(87,152)	-	-	(90,182)
Net carrying amount	898	83,440	1,002,266	819,315	1,905,919

*The balances as at 30 June 2019 have been restated. Refer to Note 25 for further details.

Reconciliation

A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the previous reporting period is set out below:

	Plant & equipment \$'000	Buildings \$'000	Core land \$'000	Non-core land \$'000	Total \$'000
Year ended 30 June 2019					
Net carrying amount at start of year	1,023	45,156	836,171	875,833	1,758,183
Additions	-	2,001	192,558	733	195,292
Disposals					
Transfers to Local Councils (Note 2(d))	-	-	(111)	(1,220)	(1,331)
Other transfers (Note 4))	-	(175)	(1,061)	(2,202)	(3,438)
Net asset transfers through equity (Note 17)*	-	38,286	24,122	1,572	63,980
Net revaluation*	48	1,308	(49,349)	(47,749)	(95,742)
Transfers from/(to) land held for sale (Note 9)	-	-	-	(7,716)	(7,716)
Transfers between classes	-	-	(64)	64	-
Depreciation (Note 2(c))	(173)	(3,136)	-	-	(3,309)
Net carrying amount at end of year*	898	83,440	1,002,266	819,315	1,905,919

*The balances as at 30 June 2019 have been restated. Refer to Note 25 for further details.

Note the above land assets include those for a joint operation. Refer to Note 24 for further details.

10. Non-current assets - property, plant and equipment (cont'd)

(b) *Property, plant and equipment held and used by the entity*

	Plant & equipment \$'000	Buildings \$'000	Core land \$'000	Non-core land \$'000	Total \$'000
At 1 July 2019 - fair value					
Gross carrying amount	3,928	-	936,979	754,340	1,695,247
Accumulated depreciation	(3,030)	-	-	-	(3,030)
Net carrying amount*	898	-	936,979	754,340	1,692,217
At 30 June 2020 - fair value					
Gross carrying amount	3,928	-	779,601	765,245	1,548,774
Accumulated depreciation	(3,210)	-	-	-	(3,210)
Net carrying amount	718	-	779,601	765,245	1,545,564

*The prior year comparative has been restated. Refer to Note 25 for further details.

Reconciliation

A reconciliation of the carrying amount of each class of property, plant and equipment held and used by the entity at the beginning and end of the current reporting period is set out below:

	Plant & equipment \$'000	Buildings \$'000	Core land \$'000	Non-core land \$'000	Total \$'000
Year ended 30 June 2020					
Net carrying amount at start of year*	898	-	936,979	754,340	1,692,217
Additions	-	-	19,362	5,503	24,865
Disposals					
Transfers to Local Councils (Note 2(d))	-	-	(327)	-	(327)
Other transfers (Note 4)	-	-	-	(36,334)	(36,334)
Net asset transfers through equity (Note 17)	-	-	(185,267)	-	(185,267)
Net revaluation	-	-	8,854	41,736	50,590
Depreciation expense (Note 2(c))	(180)	-	-	-	(180)
Net carrying amount at end of year	718	-	779,601	765,245	1,545,564

*The prior year comparative has been restated. Refer to Note 25 for further details.

Note the above land assets include those for a joint operation. Refer to Note 24 for further details.

10. Non-current assets - property, plant and equipment (cont'd)

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

	Plant & equipment \$'000	Buildings \$'000	Core land \$'000	Non-core land \$'000	Total \$'000
At 1 July 2019 - fair value					
Gross carrying amount	-	170,592	65,287	64,975	300,854
Accumulated depreciation	-	(87,152)	-	-	(87,152)
Net carrying amount*	-	83,440	65,287	64,975	213,702
At 30 June 2020 - fair value					
Gross carrying amount	-	84,488	64,187	64,610	213,285
Accumulated depreciation	-	(50,646)	-	-	(50,646)
Net carrying amount	-	33,842	64,187	64,610	162,639

*The prior year comparative has been restated. Refer to Note 25 for further details.

Reconciliation

A reconciliation of the carrying amount of each class of property, plant and equipment subject to an operating lease at the beginning and end of the current reporting period is set out below:

	Plant & equipment \$'000	Buildings \$'000	Core land \$'000	Non-core land \$'000	Total \$'000
Year ended 30 June 2020					
Net carrying amount at start of year*	-	83,440	65,287	64,975	213,702
Additions	-	75	2,836	510	3,421
Disposals					
Transfers to Local Councils (Note 2(d))	-	-	(354)	-	(354)
Other transfers (Note 4)	-	(627)	-	-	(627)
Net asset transfers through equity (Note 17)	-	(38,594)	(4,321)	-	(42,915)
Net revaluation	-	(8,779)	1,098	(875)	(8,556)
Transfers between classes	-	359	(359)	-	-
Depreciation expense (Note 2(c))	-	(2,032)	-	-	(2,032)
Net carrying amount at end of year	-	33,842	64,187	64,610	162,639

*The prior year comparative has been restated. Refer to Note 25 for further details.

10. Non-current assets - property, plant and equipment (cont'd)

Recognition and measurement

Acquisition of property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other Australian Accounting Standards.

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

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

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition. Also refer to Note 17 for assets transferred via equity transfer.

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.

Major inspection costs

When a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

Restoration costs

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

Depreciation of property, plant and equipment

Except for certain non-depreciable assets, depreciation is provided for on a straight-line basis so as to write off the depreciable amount of each asset as it is consumed over its useful life to the Corporation.

All material identifiable components of assets are depreciated separately over their useful lives.

The following are the depreciation rates:

- | | |
|-----------------------|-----------------------------------|
| • Plant and equipment | 12.5% to 20% (2019: 12.5% to 20%) |
| • Buildings | 1.25% to 5% (2019: 1.25% to 5%) |
| • Land | Not a depreciable asset |

Right-of-Use Assets acquired by lessees (under AASB 16 from 1 July 2019)

From 1 July 2019, AASB 16 *Leases* (AASB 16) requires a lessee to recognise a right-of-use asset for most leases. The right-of-use asset and corresponding liability are initially measured at the present value of the future lease payments.

As at 30 June 2020, the Corporation did not have any leases that will require recognition of a right-of-use asset.

10. Non-current assets - property, plant and equipment (cont'd)

Revaluation of property, plant and equipment

Physical non-current assets are valued in accordance with the TPP14-01 *Valuation of Physical Non-Current Assets at Fair Value Policy and Guidelines Paper* (TPP14-01). This policy adopts fair value in accordance with AASB 13 *Fair Value Measurement* (AASB 13) and AASB 116 *Property, Plant and Equipment*.

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

Fair value of property, plant and equipment is based on market participants perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Also refer to Note 13 for further information regarding fair value.

The Corporation revalues each class of property, plant and equipment with sufficient regularity to ensure that the carrying amount of each asset in the class does not differ materially from its fair value at reporting date. A comprehensive revaluation of land and buildings are carried out at least every three years. All other asset classes are revalued at least every five years. A comprehensive valuation was performed by CBRE Valuations Pty Ltd (CBRE), an independent valuer, at 31 March 2020 for all buildings. This was further updated as at 30 June 2020.

CBRE also performed the last comprehensive revaluation for the following land at 30 June 2019:

- Core land: open space and corridor;
- Non-core land: surplus land (marketable); and
- Non-core land: surplus land (non-marketable).

CBRE advised that the valuation of land assets was not significantly impacted by the Biodiversity Stewardship Agreements as those specific lots are already zoned environmental and have similar restrictions on use.

Interim independent revaluations are conducted between comprehensive revaluations where cumulative changes to indicators suggest fair value may differ materially from carrying value. An interim formal revaluation was completed for all land by CBRE at 31 March 2020.

CBRE reassessed the movement in fair value from 31 March 2020 to 30 June 2020 for land and buildings. There were no material movements to the fair values and no adjustments were necessary except for one block of land. Due to additional information that became available and the sale of a portion of the property, the value was updated.

The fair value assessment of property, plant and equipment at 30 June 2020 also considered the impact of the COVID-19 pandemic as follows:

Land: Due to significant uncertainty in the market and existence of insufficient evidence at the time of valuation, CBRE advised that there was no basis to determine that there has been any material movement in the value of the PMC portfolio at 30 June 2020.

Management assessed that this evaluation by an external valuer to be reasonable.

Buildings: CBRE advised that at 30 June 2020 it is too early to assess the likely impact of COVID-19 on construction costs. It is likely that supply chains will be disrupted in the short run if there is a high dependence on materials from overseas and/or higher priority to supply other industries, such as medical. However, the Corporation does not have a high degree of dependence on materials sourced from overseas, which are likely to be disrupted by COVID-19. Labour has also become more available due to rising unemployment.

Management assessed the above evaluation by independent valuer to be reasonable.

10. Non-current assets - property, plant and equipment (cont'd)

Recognition and measurement (cont'd)

Revaluation of property, plant and equipment (cont'd)

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

When revaluing non-current assets using the cost approach, the gross amount and the related accumulated depreciation are separately restated.

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

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

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

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

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

Impairment of property, plant and equipment

As a not-for-profit entity with no cash generating units, impairment under AASB 136 *Impairment of Assets* is unlikely to arise. Since property, plant and equipment is carried at fair value or an amount that approximates fair value, impairment can only arise in rare circumstances such as where the costs of disposal are material.

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

Specialised assets held for continuing use of their service capacity are rarely sold and their cost of disposal is typically negligible. Their recoverable amount is expected to be materially the same as fair value, where they are regularly revalued under AASB 13 *Fair Value Measurement*.

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

After an impairment loss has been recognised, it is reversed if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in net result and is treated as a revaluation increase. However, to the extent that an impairment loss on the same class of asset was previously recognised in net result, a reversal of that impairment loss is also recognised in net result.

10. Non-current assets - property, plant and equipment (cont'd)

Recognition and measurement (cont'd)

Land under care, control and management

The Corporation holds some land assets that are under a care, control and management (CCM) arrangement with local councils. Although the relevant councils are responsible for the daily management of the land, these arrangements are determined at the discretion of the Corporation, which is the only party to the arrangement that has the ability to enforce its rights against the council. The Gazettal action to enact CCM severely limits council's development powers. Furthermore, councils require landowner consent to lodge Development Applications and are unable to enter leases and licences without Corporation approval. Also, any Plan of Management prepared for the CCM land under *Local Government Act 1993* must be referred to the Corporation for comment and concurrence. The Corporation is able to revoke the CCM arrangements at any time and remains the legal owner of the CCM lands. Thus overall, the Corporation retains accounting control over these assets. These assets are recognised in the statement of financial position at fair value.

Land transfers

Land acquired for regional open space may be transferred to local councils without charge. This often occurs for lands that were under a CCM arrangement and would happen when it is decided which government entity would better manage the land in perpetuity. Transfer of land is generally required to be classified as community land under the *Local Government Act 1993* which enables councils to develop, use and manage the land in accordance with a Plan of Management.

11. Leases

Corporation as lessee

The Corporation leases one property. Lease contracts are typically made for fixed periods but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. The Corporation does not provide residual value guarantees in relation to leases.

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

(a) Right-of-use assets under leases

The Corporation does not have any right-of-use assets under leases.

(b) Lease liabilities

The Corporation does not have any lease liabilities.

The following amounts were recognised in the statement of comprehensive income for the year ended 30 June 2020 in respect of leases where the Corporation is the lessee:

	\$'000
Depreciation expense of right-of-use assets	-
Interest expense on lease liabilities	-
Expense relating to short-term leases	53
Expense relating to leases of low-value assets	-
Variable lease payments, not included in the measurement of lease liabilities	-
Total amount recognised in the statement of comprehensive income	53

The Corporation had total cash outflows for leases of \$57,736 (including GST) for the year ended 30 June 2020.

11. Leases (cont'd)

Entity as lessee (cont'd)

(b) Lease liabilities (cont'd)

Future minimum lease payments under non-cancellable leases as at 30 June 2019 are, as follows:

	Operating lease \$'000	Finance lease \$'000
Within one year	5	-
Later than one year and not later than five years	-	-
Later than five years	-	-
Total (including GST)	5	-
Less: GST recoverable from the Australian Tax Office	(1)	-
Total (excluding GST)	4	-

Recognition and measurement (under AASB 16 from 1 July 2019)

The Corporation assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Corporation recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets, except for short-term leases and leases of low-value assets.

i. Short-term leases and leases of low-value assets

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

Recognition and measurement (under AASB 117 until 30 June 2019)

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset (or assets), even if that asset (or those assets) is not explicitly specified in an arrangement.

Until 30 June 2019, a lease was classified at the inception date as a finance lease or an operating lease. A lease that transferred substantially all the risks and rewards incidental to ownership to the Corporation was classified as a finance lease.

An operating lease is a lease other than a finance lease. Operating lease payments were recognised as an operating expense in the statement of comprehensive income on a straight-line basis over the lease term.

11. Leases (cont'd)

Corporation as lessor

The Corporation has properties leased to tenants under operating leases. Lease payments for some contracts include CPI increases, but there are no other variable lease payments that depend on an index or rate.

The Corporation does not have any finance leases as lessor.

Lessor for operating leases

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

	2020	2019
	\$'000	\$'000
Within one year	591	602
One to two years	209	421
Two to three years	115	224
Three to four years	47	130
Four to five years	45	62
Later than five years	132	321
Total (exclusive GST)	1,139	1,760

Recognition and measurement - lessor for operating leases

An operating lease is a lease other than a finance lease. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the underlying asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

12. Intangible assets

	Biodiversity credits \$'000	Property interests \$'000	Software \$'000	Total \$'000
At 1 July 2019				
Gross carrying amount	16,330	-	405	16,735
Accumulated amortisation	-	-	(405)	(405)
Net carrying amount	16,330	-	-	16,330
At 30 June 2020				
Gross carrying amount	16,330	-	405	16,735
Accumulated amortisation	-	-	(405)	(405)
Net carrying amount	16,330	-	-	16,330

12. Intangible assets (cont'd)

Reconciliation

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

Reconciliation	Biodiversity credits \$'000	Property interests \$'000	Software \$'000	Total \$'000
Year ended 30 June 2020				
Net carrying amount at beginning of year	16,330	-	-	16,330
Additions	-	-	-	-
Disposals	-	-	-	-
Transfer between classes	-	-	-	-
Net carrying amount at end of year	16,330	-	-	16,330

	Biodiversity credits \$'000	Property interests ¹ \$'000	Software \$'000	Total \$'000
At 1 July 2018				
Gross carrying amount	-	189	405	594
Accumulated amortisation	-	-	(405)	(405)
Net carrying amount	-	189	-	189

At 30 June 2019				
Gross carrying amount	16,330	-	405	16,735
Accumulated amortisation	-	-	(405)	(405)
Net carrying amount	16,330	-	-	16,330

Reconciliation

A reconciliation of the carrying amount of the intangible assets at the beginning and end of the prior year reporting period is set out below:

Reconciliation	Biodiversity credits \$'000	Property interests \$'000	Software \$'000	Total \$'000
Year ended 30 June 2019				
Net carrying amount at start of year	-	189	-	189
Additions	16,330	-	-	16,330
Disposals	-	(189)	-	(189)
Net carrying amount at end of year	16,330	-	-	16,330

¹Property interests represents a permanent easement which is not amortised.

12. Intangible assets (cont'd)

Recognition and measurement

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

The useful lives of intangible assets are assessed to be finite, except for legal intangibles such as permanent easements.

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

The Corporation's intangible assets (excluding biodiversity credits) are amortised using the straight-line method. In-house software has an effective life of 4 years.

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

Biodiversity credits

Biodiversity credits are recognised as an intangible asset upon signing the Biodiversity Stewardship Agreement (BSA) with the Minister currently administering the *Biodiversity Conservation Act 2016*. The credits are recognised at cost and assessed for impairment annually. At the time of initial recognition, value of the asset is considered to be the value of the BioBanking liability.

13. Fair value measurement of non-financial assets

Fair value measurement and hierarchy

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

When measuring fair value, the valuation technique used maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Under AASB 13, the Corporation categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

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

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

Refer to Note 22 for further disclosures regarding fair value measurements of financial assets.

13. Fair value measurement of non-financial assets (cont'd)

Fair value measurement and hierarchy (cont'd)

(a) Fair value hierarchy

2020	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total fair value \$'000
Property, plant and equipment (Note 10)				
Land	-	1,668,795	4,848	1,673,643
Buildings	-	-	33,842	33,842
Plant and equipment	-	-	718	718
	-	1,668,795	39,408	1,708,203
2019	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total fair value \$'000
Property, plant and equipment (Note 10)				
Land	-	1,817,069	4,512	1,821,581
Buildings	-	-	83,440	83,440
Plant and equipment	-	-	898	898
	-	1,817,069	88,850	1,905,919

*The prior year comparative has been restated. Refer to Note 25 for further details.

There were no transfers between level 1 or 2 during the year.

(b) Valuation techniques, inputs and processes

The Corporation has the following land assets:

- corridor land (core land);
- open space land (core land);
- surplus and non-marketable land (non-core land);
- surplus land (non-core land); and
- land assets held for sale.

The Corporation also has the following significant building and plant assets:

- Penrith Whitewater Stadium assets;
- residential buildings;
- heritage buildings; and
- commercial buildings.

The Corporation engaged CBRE to provide independent valuation advice for all the above assets. The valuations are in accordance with Treasury Policy TPP14-01 and AASB 13. All building assets were comprehensively revalued at 31 March 2020. An interim revaluation of all land assets was performed at 31 March 2020. This was further updated for any required changes as at 30 June 2020.

13. Fair value measurement of non-financial assets (cont'd)

(b) Valuation techniques, inputs and processes (cont'd)

Fair value hierarchy

The fair value hierarchy for all the land assets, excluding those subject to peppercorn leases, are considered to be at level 2. All other assets are considered to be level 3.

Method of valuation – land assets: market approach

The valuers have assessed the relative merits of the subject property and analysed and compared, having regard to matters such as location, aspect, topography, size of land, shape of land, size and quality of the improvements, features and condition of the improvements and current market sentiment.

In addition, when conducting the valuation, the following factors were considered by the valuers:

- local knowledge,
- enquiries with local real estate agents,
- statistical information,
- physical inspections, and
- market reports.

Also, the methodology adopted for land valuation incorporates the concept of 3 bands which are defined based on the size of land parcel. Band 1 is land up to 1 hectare, band 2 is land between 1 hectare up to 5 hectares and band 3 is land larger than 5 hectares.

Method of valuation – buildings and plant assets: depreciated replacement cost approach

The following inputs have been considered in this valuation process. These include:

- Property attributes e.g. location, construction type, condition, age, building areas,
- Price per square metre for the building derived from Rawlinsons Construction Handbook and research of actual costs for comparable assets,
- Quoted prices for similar assets or liabilities in active and non-active markets,
- Market trends and economic outlook, and
- Total and remaining economic life.

Relationship of unobservable inputs to fair value

Unobservable inputs have an impact on the fair value of building assets. The fair value of buildings may increase if construction costs increase. The fair value of buildings will increase if the useful life of the building increases (e.g. due to refurbishment). The fair value of buildings will generally decrease as the building deteriorates in condition.

The replacement cost of each heritage item has been assessed in line with Treasury Policy TPP 14-01.

The gross replacement cost has been determined using inputs referred to above. The remaining economic life in terms of years for each asset individually based upon the total economic life, condition, upgrades/renovations and other building attributes.

The buildings were inspected internally by CBRE during their previous valuation. However, due to the COVID-19 crisis, internal inspection was only made to selected assets. CBRE however, inspected all the buildings externally. In some cases where access was restricted, additional information and documentation was supplied by the Department of Planning, Industry and Environment to the valuers to be used in addition to aerial mapping. The documentation provided and relied upon included documents such as heritage reports, condition reports and plans.

13. Fair value measurement of non-financial assets (cont'd)

(c) *Reconciliation of recurring level 3 fair value measurements*

2020	Plant and equipment \$'000	Buildings \$'000	Land \$'000	Total recurring Level 3 fair value \$'000
Fair value as at 1 July 2019	898	83,440	4,512	88,850
Recognition of right-of-use assets on initial application of AASB 16	-	-	-	-
Adjusted fair value as at 1 July 2019	898	83,440	4,512	88,850
Additions	-	75	-	75
Revaluation increments recognised in other comprehensive income – included in line item "Net increase / (decrease) in property, plant and equipment revaluation reserve"	-	(8,779)	336	(8,443)
Transfers from Level 2	-	359	-	359
Disposals	-	(39,221)	-	(39,221)
Depreciation expense	(180)	(2,032)	-	(2,212)
Fair value as at 30 June 2020	718	33,842	4,848	39,408

2019	Plant and equipment \$'000	Buildings \$'000	Land \$'000	Total recurring Level 3 fair value \$'000
Fair value as at 1 July 2018	1,023	45,156	2,861	49,040
Additions	-	2,001	-	2,001
Revaluation increments recognised in other comprehensive income – included in line item "Net increase / (decrease) in property, plant and equipment revaluation reserve"	48	1,308	-	1,356
Transfers from Level 2	-	38,286	1,651	39,937
Disposals	-	(175)	-	(175)
Depreciation expense	(173)	(3,136)	-	(3,309)
Fair value as at 30 June 2019	898	83,440	4,512	88,850

Movements between level 2 and level 3 have been effected on valuation advice from the valuers.

14. Current liabilities - payables

	2020	2019
	\$'000	\$'000
Creditors*	5,941	2,942
Unearned revenue	112	355
Accrued interest*	2,038	2,057
Security and contract deposits	97	97
Biodiversity funding deposit ¹	4,143	4,352
Other liabilities ²	8,511	110,808
	20,842	120,611

*Refer to Note 22 for details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables.

¹This represents funds held for the maintenance of the Erskine Park Biodiversity Corridor. Refer to Note 5 for funds.

²2019 includes \$100.0 million in respect of the balance of contractual obligations in acquiring land. This liability was transferred to the Department of Premier and Cabinet during 2019-20 (Refer to Note 17).

Recognition and measurement

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

15. Current / non-current liabilities - borrowings

The above borrowings are classified as current and non-current based on their maturity dates:

	2020	2019
	\$'000	\$'000
<i>TCorp borrowings*</i>		
Balance at the beginning of the year	165,611	168,709
Borrowings during the year	4,648	15,000
Repayments during the year	(551)	(18,098)
Balance at the end of the year	169,708	165,611

The above borrowings are classified as current and non-current based on their maturity dates:

Current	23,150	27,066
Non-current	146,558	138,545
Total borrowings	169,708	165,611

*Refer to Note 22 for details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above borrowings.

Note that all TCorp borrowings are unsecured but are guaranteed by the NSW State Government.

Recognition and measurement

Loans are not held for trading and are recognised at amortised cost using the effective interest rate method. Gains or losses are recognised in the net result for the year on derecognition.

Financial guarantees

Recognition and measurement

The Corporation has reviewed its financial guarantees and determined that there is no liability to be recognised for financial guarantee contracts as at 30 June 2020 and at 30 June 2019.

Refer to Note 19 regarding disclosures on contingent liabilities.

16. Current / non-current liabilities - provisions

	2020 \$'000	2019 \$'000
Provisions - current liabilities		
BioBanking liability - Management actions	56	62
	56	62
Provisions - non-current liabilities		
BioBanking liability - Total Fund Deposit (refer to Note 12)	16,330	16,330
BioBanking liability - Management actions	911	957
	17,241	17,287

Movements in provision for BioBanking liability during the financial year are set out below.

	BioBanking liability - Total Fund Deposit \$'000	BioBanking liability - Management actions \$'000
Carrying amount at 1 July 2019	16,330	1,019
Amounts used	-	(52)
Carrying amount at 30 June 2020	16,330	967

Recognition and measurement

Personnel services

The Corporation does not have any employees. Human resources are provided by Department of Planning, Industry and Environment on a fee for services rendered basis. This fee includes all employee related costs including salaries, superannuation, leave entitlements, payroll tax and workers' compensation insurance. Accordingly, the Corporation does not have liability for employee entitlements.

BioBanking liabilities

(a) Liability to the Total Fund Deposit

The BioBanking liability to the Total Fund Deposit (TFD) is recognised based on the constructive liability of the Corporation to deposit funds in the TFD held by the BCT to fund future management costs on the land under the Biodiversity Stewardship Agreement (BSA). This amount is stipulated in the BSA and represents the net present value of expected future costs of fulfilling the environmental obligations to maintain the biodiversity of the land in accordance with the terms and conditions of the BSA. Refer to Note 12 for recognition of a corresponding biodiversity credits asset (2020: \$16.3 million).

(b) Liability for future land management works

The BioBanking liability is recognised based on the expected future costs of fulfilling the environmental obligations to maintain the biodiversity of the land in accordance with the terms and conditions of the Biodiversity Stewardship Agreement (BSA) and AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

According to the BSAs, when 80% of the TFD amount is paid into the TFD held by the BCT, the Corporation's constructive liability to carry out active land management works will commence. This liability for future land management works is recognised by the Corporation based on the net present value of estimated future costs. Refer to Note 6 for recognition of a corresponding management payments receivable asset.

for the year ended 30 June 2020

16. Current / non-current liabilities – provisions (cont'd)

Recognition and measurement (cont'd)

Other provisions

Other provisions exist when the Corporation 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.

If the effect of the time value of money is material, provisions will be discounted, which will be a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability.

17. Equity

Recognition and measurement

Revaluation reserve

The revaluation reserve is used to record increments and decrements on the revaluation of non-current assets. This accords with the Corporation's policy on the revaluation of property, plant and equipment as discussed in Note 10.

Accumulated funds

The category 'accumulated funds' includes all current and prior period retained funds.

Increase in net assets from equity transfers

		2020	2019
		\$'000	\$'000
<u>Asset description</u>	<u>Receiving from / (transferring to)</u>		
Parramatta Powerhouse Museum (PPM) site	Department of Premier and Cabinet	(140,000)	-
National Arts School	Department of Premier and Cabinet	(74,492)	74,905
Community Parklands	Western Sydney Parklands Trust	(13,072)	-
Buildings on Community Parklands	Western Sydney Parklands Trust	(618)	-
General lands	Sydney Metro	-	(13,636)
General lands	Roads and Maritime Services	-	2,711
		<u>(228,182)</u>	<u>63,980</u>
Liability Transferred - PPM	Department of Premier and Cabinet	100,000	-
		<u>(128,182)</u>	<u>63,980</u>

*The prior year comparative has been restated. Refer to Note 25 for further details.

Under the *Administrative Arrangements (Administrative Changes – Public Service Agencies) Order 2019*, dated 2 April 2019, CreateNSW within former Department of Planning and Environment was transferred to the Department of Premier and Cabinet (DPC).

As a result, control of all assets relating to the PPM site and National Arts School was transferred to the Department of Premier and Cabinet on 1 July 2019.

17. Equity (cont'd)

Equity transfers - recognition and measurement

The 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 is designated or required by Accounting Standards to be treated as a contribution by owners and recognised as an adjustment to "accumulated funds". This treatment is consistent with AASB 1004 *Contributions* and Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities*.

Transfers arising from an administrative restructure between not-for-profit government entities are recognised at the amount at which the asset will be recognised by the transferee immediately following the restructure. In most instances this will approximate fair value. All other equity transfers are recognised at fair value.

Revaluation reserve categories

A breakdown of the revaluation reserve categories is set out below:

	2020 \$'000	2019 \$'000
Non-current assets	966,624	920,560
Current assets - land held for sale	-	5,265
	966,624	925,825

*The prior year comparative has been restated. Refer to Note 25 for further details.

18. Commitments

	2020 \$'000	2019 \$'000
(a) Capital commitments		
Aggregate capital expenditure for the acquisition of land, and plant and equipment contracted for at balance date and not provided for:		
Not later than one year	1,989	787
Total (including GST)	1,989	787

The Corporation also currently has acquisitions under negotiation. Please refer to Note 19 for more details.

19. Contingent liabilities and contingent assets

A contingent liability is a possible liability that arises from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Corporation.

The Corporation is unable to quantify the effect in financial terms for the following contingent liabilities and assets unless otherwise stated.

(a) Contingent liabilities

Landcom Participation Agreement - exit put option

The Corporation and Landcom have entered into a contract in February 2004 with regards to the Landcom Participation Agreement – Rouse Hill Regional Centre. Either party to the agreement can exercise the exit put option. If either the Minister or Landcom exercises the exit put option set out in the agreement but the other party does not, then the other party will have the right to pay to the exiting party the same amount that it would have received from the Developer, and the remaining party will take 100% of future project revenue. As at reporting date, neither party has exercised the exit put option. The Corporation is unable to quantify the effect in financial terms of this potential contingent liability. This project is now 90% complete.

for the year ended 30 June 2020

19. Contingent liabilities and contingent assets (cont'd)

(a) Contingent liabilities (cont'd)

Acquisitions under negotiation

As of 30 June 2020, the Corporation had made offers to purchase properties totalling \$185.2 million. These offers are dependent on the actions of the landowners to either accept or reject the Corporation's offer. Offers to purchase made by the Corporation lapse if the landowner does not accept the offer.

Legal proceedings

As at 30 June 2020, there is one civil lawsuit against the Corporation. The claim is currently before the Supreme Court of NSW and relates to lands on an adjacent site owned by the plaintiff.

The Corporation is a member of the TMF self-insurance scheme. It is not practical to estimate the financial effect of this claim at this point in time.

Land contamination

Following an independent high-level assessment of a sample of its land holdings, the Corporation is establishing a risk assessment framework for contamination identification and management which will include the development of a contamination management policy and communication strategy. At this point, the Corporation is unable to reliably measure the cost of remediation of sites given the size and complexity of the land portfolio. There are no incident notifications from the NSW Environment Protection Authority. As such there is likely to be no material impact in current year land valuations.

(b) Contingent assets

The Corporation is not aware of any contingent assets.

20. Budget review

Net result

The actual net result was a surplus of \$48.9 million compared to a budget deficit of \$46.4 million resulting in a favourable variance of \$95.3 million.

This is made up of lower than budgeted expenses of \$74.8 million, higher than budgeted gain on disposal by \$48.0 million, partly offset by lower than budgeted revenue of \$27.5 million.

Expenses

Favourable variance in expenses of \$74.8 million was due to reduced:

- Grants and subsidies with lower than expected land transfers - \$66.4 million;
- Finance costs resulting from lower than anticipated debt interest rates - \$8.2 million;
- Operating expenses resulting from lower than expected land development costs and personnel services - \$1.1 million.

This was partly offset by:

- Higher than budgeted depreciation - \$1.4 million.

Revenue

Unfavourable variance in revenue of \$27.5 million was due to reduced:

- Grant revenue from the Voluntary Planning Agreement (VPA), which was received in 2018-19. This grant was originally budgeted to be received in 2019-20 - \$19.5 million;
- Grant revenue from the Open Spaces embellishment program due to slower than anticipated development progress and other minor variances - \$8.0 million.

20. Budget review (cont'd)

Net result (cont'd)

Gain on disposal

- Favourable gain on disposal of \$48.0 million was due to the sale of Lenore Drive land in Ropes Creek Precinct to Sydney Metro - \$48.0 million.

Assets and liabilities

- Total current assets were higher than the budget mainly due to increase in cash and receivables from the sale of Lenore Drive land in the Ropes Creek Precinct - \$90.6 million.
- Total non-current assets were \$85.2 million lower than the budget due to:
 - Disposal of Lenore Drive land - \$33.8 million
 - Lower revaluation reserve (\$48.9 million) and land acquisitions (\$73.7 million) and other minor variances (\$2.6 million) - \$125.2 million;
 - This was partly offset by fewer land transfers - \$73.8 million.
- Total current liabilities were \$13.4 million higher than the budget primarily due to increased:
 - Current payables owing to timing of invoices and payments - \$8.1 million
 - Current borrowings with reclassification from non-current - \$5.3 million.
- Total non-current liabilities were \$37.1 million lower due to lower than budgeted borrowings, partly offset by the recognition of liability associated with the Biodiversity Stewardship Agreements.

Cash flows

- Net cash flows from operating activities were \$13.4 million unfavourable to budget primarily due to lower cash from grants relating to the Voluntary Planning Agreement (VPA) and Open Spaces embellishment program.
- Net cash flows from investing activities were \$91.4 million higher than budget due to higher proceeds from sales and lower land acquisitions.
- Net cash flows from financing activities were \$20.9 million lower than budget primarily due to lower than budgeted borrowings of \$20.4 million.

21. Reconciliation of cash flows from operating activities to net result

	2020 \$'000	2019 \$'000
Net cash used on operating activities	(3,036)	60,709
Depreciation and amortisation	(2,212)	(3,309)
Assets received free of charge	-	2,988
Increase / (Decrease) in receivables	38,307	11,100
Increase / (Decrease) in other assets	(681)	(1,331)
Decrease / (Increase) in payables	(179)	(9,008)
Net gain / (loss) on disposal of land	16,710	2,697
(Increase) / decrease in contract liabilities	(19)	-
Net result	48,890	63,846

for the year ended 30 June 2020

22. Financial instruments

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

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

The Secretary (as delegated by the Minister) has overall responsibility for the establishment and oversight of risk management and reviews, and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the Corporation, to set risk limits and controls to monitor risks. Compliance with policies is reviewed by the Corporation on a regular basis.

(a) Financial instrument categories

Class	Note	Category	Carrying amount	
			2020	2019
Financial assets				
Cash and cash equivalents	5	N/A	82,316	48,232
Receivables ¹	6	Amortised cost	51,232	13,894
Other financial assets	8	Amortised cost	4,266	4,188
Financial liabilities				
Payables ²	14	Financial liabilities measured at amortised cost	20,633	120,159
Borrowings	15	Financial liabilities measured at amortised cost	169,708	165,611
Notes				

Notes

¹Excludes statutory receivables and prepayments (not within scope of AASB 7).

²Excludes statutory payables and unearned revenue (not within scope of AASB 7).

(b) Derecognition of financial assets and liabilities

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

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

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

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

(c) Credit risk

Credit risk arises when there is the possibility that the counterparty will default on their contractual obligations, resulting in a financial loss to the Corporation. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

Credit risk arises from the financial assets of the Corporation, including cash, receivables, and short-term deposits. No collateral is held by the Corporation. Also, the Corporation has not granted any financial guarantees.

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

22. Financial instruments (cont'd)

(c) Credit risk (cont'd)

Cash and cash equivalents

Cash comprises cash on hand, bank balances within the NSW Treasury Banking System and term deposits invested for less than 90 days. Interest is earned on daily bank balances at the monthly average NSW Treasury Corporation (TCorp) 11.00am unofficial cash rate, adjusted for a management fee to NSW Treasury. Term deposit interest is agreed at time of investment and received upon maturity of the term deposit.

Accounting policy for impairment of trade debtors and other financial assets

Receivables - trade debtors

Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand.

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

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

The expected loss rates are based on historical observed loss rates. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Corporation has identified GDP and the unemployment rate to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

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

The loss allowance for trade debtors as at 30 June 2020 and 30 June 2019 was determined as follows:

30 June 2020

Amounts in Thousands

	Current	<30 days	30-60 days	61-90 days	>91 days	Total
Expected credit loss rate	0%	26.8%	56.3%	84.4%	60.0%	
Estimated total gross carrying amount at default	14	183	87	45	543	872
Expected credit loss	-	49	49	38	326	462

30 June 2019

Amounts in Thousands

	Current	<30 days	30-60 days	61-90 days	>91 days	Total
Expected credit loss rate	0%	0%	60.0%	25.9%	66.0%	
Estimated total gross carrying amount at default	756	51	10	27	388	1,232
Expected credit loss	-	-	6	7	256	269

Notes: The analysis excludes statutory receivables, prepayments and unusual items, as these are not within the scope of AASB 7 and distort the calculation of the expected credit loss. Therefore, the 'total' will not reconcile to the receivables total in Note 6. The Corporation is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors as at 30 June 2020.

22. Financial instruments (cont'd)

(d) Liquidity risk

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

	2020 \$'000	2019 \$'000
TCorp debt facility	330,000	230,000
Sums drawn	(169,708)	(165,611)
Unused facility	160,292	64,389

In August 2019, the Treasurer approved an additional \$100 million debt facility to fund the Strategic Open Spaces Program.

During the current and prior years, there were no defaults on any loan payable. No assets have been pledged as collateral. The Corporation's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

The liabilities are recognised for amounts due to be paid in the future for goods and services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW Treasury Circular 11/12. For small business suppliers, where terms are not specified, payment is made not later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. For small business suppliers, where payment is not made within the specified time period, simple interest must be paid automatically unless an existing contract specifies otherwise. For payments to other suppliers, the Secretary (or a person appointed by the Secretary) may automatically pay the supplier simple interest. The rate of interest applied during the year was 8.89% (2019: 9.96%).

The tables below summarise the maturity profile of the Corporation's financial liabilities, together with the interest rate exposure.

Maturity analysis and interest rate exposure of financial liabilities

	Weighted average effective interest Rate %	Nominal amount \$'000	Interest rate exposure			Maturity dates		
			Fixed interest rate \$'000	Variable interest rate \$'000	Non- interest bearing \$'000	< 1 year \$'000	1 -5 years \$'000	> 5 years \$'000
2020								
<i>Payables:</i>	N/A	20,633	-	-	20,633	20,633	-	-
<i>Borrowings</i>								
TCorp borrowings ¹								
Loan: Corporation	3.62	187,649	187,649	-	-	29,987	111,809	45,853
Loan: Open Spaces	1.44	5,250	5,250	-	-	121	484	4,645
		213,532	192,899	-	20,633	50,741	112,293	50,498
2019								
<i>Payables:</i>	N/A	120,159	-	-	120,159	120,159	-	-
<i>Borrowings</i>								
TCorp borrowings ¹								
Loan: Corporation ²	3.74	189,527	189,527	-	-	34,012	111,047	44,468
		309,686	189,527	-	120,159	154,171	111,047	44,468

22. Financial instruments (cont'd)

(d) Liquidity risk (cont'd)

¹The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which the Corporation can be required to pay. The tables include both interest and principal cash flows and therefore will not reconcile to the statement of financial position.

²In December 2018, the 3 debt portfolios were consolidated into 1 debt portfolio.

(e) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Corporation's exposure to market risk are primarily through interest rate risk on the Corporation's borrowing and other price risks associated with the movement in the unit price of the TCorpIM Fund. The Corporation has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the Corporation operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the statement of financial position date. The analysis is performed on the same basis as for 2019. The analysis assumes that all other variables remain constant.

Interest rate risk

Exposure to interest rate risk arises primarily through the Corporation's interest-bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings, primarily with TCorp. The Corporation does not account for any fixed rate financial instruments at fair value through profit or loss or as available-for sale. Therefore, for these financial instruments, a change in interest rates would not affect profit or loss or equity. A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates (based on official RBA interest rate volatility over the last five years). The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility. The following table demonstrates the sensitivity to a reasonably possible change in interest rates:

	Carrying amount \$'000	+1% Profit \$'000	Equity \$'000	-1% Profit \$'000	Equity \$'000
30 June 2020					
<i>Financial assets</i>					
Cash and cash equivalents	82,316	823	823	(823)	(823)
<i>Financial liabilities</i>					
Payables	20,633	(206)	(206)	206	206
30 June 2019					
<i>Financial assets</i>					
Cash and cash equivalents	48,232	482	482	(482)	(482)
<i>Financial liabilities</i>					
Payables	120,159	(1,202)	(1,202)	1,202	1,202

22. Financial instruments (cont'd)

(e) Market risk (cont'd)

Other price risk – TCorpIM Fund

Exposure to 'other price risk' primarily arises through the investment in the TCorpIM Fund, which are held for strategic rather than trading purposes. The Corporation has no direct equity investments. The Corporation holds units in the following TCorpIM Fund:

Facility	Investment Sectors	Investment Horizon	2020 \$'000	2019 \$'000
Cash	Cash, money market instruments	Up to 1.5 years	5,849	8,143

The unit price of each facility is equal to the total fair value of net assets held by the facility divided by the total number of units on issue for that facility. Unit prices are calculated and published daily.

TCorp is trustee for each of the above facilities and is required to act in the best interest of the unit holders and to administer the Corporations in accordance with the Corporation deeds. As trustee, TCorp has appointed external managers to manage the performance and risks of each facility in accordance with a mandate agreed by the parties. TCorp has also leveraged off internal expertise to manage certain fixed income assets for the TCorpIM Fund. A significant portion of the administration of the facilities is outsourced to an external custodian.

Investment in the TCorpIM Fund limits the Corporation's exposure to risk, as it allows diversification across a pool of funds with different investment horizons and a mix of investments.

TCorp provides sensitivity analysis information for each of the investment facilities, using historically based volatility information collected over a ten-year period, quoted at two standard deviations (i.e. 95% probability). The TCorpIM Fund is designated at fair value through profit or loss and therefore any change in unit price impacts directly on profit (rather than equity). A reasonably possible change is based on the percentage change in unit price (as advised by TCorp) multiplied by the redemption value as at 30 June each year for each facility (balance from TCorpIM Fund statement).

	Impact on profit/loss		
	Change in unit price	2020 \$'000	2019 \$'000
TCorpIM Funds			
Cash facility	+/-1%	+/-58	+/-81

(f) Fair value measurement

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

The TCorpIM Fund is measured at fair value. Management assessed that the carrying amount of all other financial instruments, except as specified below, approximate their fair values, largely due to the short-term maturities of these instruments.

22. Financial instruments (cont'd)

(f) Fair value measurement

The following table details the financial instruments, by class, where the fair value differs from the carrying amount:

	Carrying amount 2020 \$'000	Fair value 2020 \$'000	Carrying amount 2019 \$'000	Fair value 2019 \$'000
Financial liabilities				
Borrowings	169,708	185,285	165,611	180,855

(g) Fair value recognised in the Statement of financial position

The Corporation uses the following hierarchy for disclosing the fair value of financial instruments by valuation technique:

- Level 1 - Derived from quoted prices in active markets for identical assets/liabilities;
- Level 2 - Derived from inputs other than quoted prices that are observable directly or indirectly;
- Level 3 - Derived from valuation techniques that include inputs for the asset/liability not based on observable market data (unobservable inputs).

2020	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets at fair value				
TCorpIM Funds	-	5,849	-	5,849
2019	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets at fair value				
TCorpIM Funds	-	8,143	-	8,143

The tables above include only financial assets, as no financial liabilities were measured at fair value in the statement of financial position.

There were no transfers between Level 1 and 2 during the periods.

The value of the TCorpIM Fund investments is based on the Corporation's share of the value of the underlying assets of the facility, based on the market value. The TCorpIM Fund is valued using 'redemption' pricing.

23. Program group

The Corporation's activities are reported under the program group "Planning, designing and implementing integrated regions and communities" supporting the State outcome "Create a strong and vibrant NSW".

for the year ended 30 June 2020

24. Joint arrangement

Joint operations

The Corporation has a joint operation and therefore recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings. Details of the joint operation are detailed below.

The Bunya joint operation ceased and the remaining land will be transferred to local council in due course.

The remaining joint operation is named the Rouse Hill Town Centre project. The Corporation and Landcom are both in a Project Delivery Agreement (PDA) with Lend Lease GPT (Rouse Hill) Pty Ltd. Landcom's participation in the PDA is as a Business Service Provider and Landcom has a financial interest in the operation.

In the Rouse Hill Town Centre project, there is no split ownership as there is no separate vehicle, but there is a share of revenues and expenses. The Corporation's share is based on the value of land contributed to the project. In terms of voting rights, the Corporation and Landcom vote as a single voting block (Landcom is a business services provider to the Corporation and has partnered voting rights with the Corporation) within the joint management committee. As a result, the voting is a 50/50 split with an independent chair.

The Corporation's share of assets, liabilities, revenue and expenses are as follows:

	Rouse Hill \$'000
2020	
Assets ¹	14,255
Liabilities	-
Revenue	31,000
Expenses	23,284
2019	
Assets ¹	21,861
Liabilities	-
Revenue	-
Expenses	-

¹These are land assets that are held by the Corporation and are included in Note 10.

Recognition and measurement

Under AASB 11 *Joint Arrangements*, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

25. Prior period error

Prior period adjustment relates to lands gazetted to Sydney Metro in the 2018-19 financial year, but not identified as transferred until the 2019-20 financial year by both the Corporation and Sydney Metro.

Prior to transfer, the Corporation revalued the gazetted land to the value to be recognised by Sydney Metro as per TPP09-3 *Accounting Policy: Contributions by owners made to wholly-owned Public Sector Entities*. Accordingly, the Corporation adjusted the value of this particular land from \$0.7 million to \$13.6 million or a revaluation increment of \$12.9 million. The total land value was then transferred out to Sydney Metro and the related accumulated revaluation reserve amounting to \$12.9 million was transferred from Reserves to Accumulated funds. Being mandated by the government, the land transfer was treated as a contribution by owners. Hence, the transfer was charged directly against Accumulated funds instead of presenting it as a loss on disposal in the Statement of comprehensive income.

Comparative amounts have been restated to reflect the correction of the error.

Statement of comprehensive income

		As per audited financials 2019 \$'000	Prior Period Adjustment 2019 \$'000	Restated 2019 \$'000
	Notes			
Other comprehensive income				
<i>Items that will not be reclassified to net result in subsequent periods</i>				
Net increase / (decrease) in property, plant and equipment revaluation reserve	10	(108,675)	12,933	(95,742)
Total other comprehensive income		(108,675)	12,933	(95,742)
TOTAL COMPREHENSIVE INCOME		(44,829)	12,933	(31,896)

Statement of financial position

		As per audited financials 2019 \$'000	Prior Period Adjustment 2019 \$'000	Restated 2019 \$'000
	Notes			
ASSETS				
Non-current assets				
Property, plant and equipment				
Land and buildings	10	1,905,724	(703)	1,905,021
Plant and equipment	10	898	-	898
Total property, plant and equipment		1,906,622	(703)	1,905,919
Total assets		1,997,334	(703)	1,996,631
Net assets		1,693,763	(703)	1,693,060
EQUITY				
Reserves	17	920,544	16	920,560
Accumulated funds		767,954	(719)	767,235
Amounts recognised in equity relating to land held for sale	17	5,265	-	5,265
Total equity		1,693,763	(703)	1,693,060

26. Related party disclosure

(a) Key management personnel compensation

The Corporation's key management personnel compensation is as follows:

	2020	2019
	\$'000	\$'000
Short-term employee benefits	205	189
Post-employment benefits	23	23
Total remuneration	228	212

The key management personnel compensation excludes the Minister for Planning and Public Spaces. Ministerial compensation is paid by NSW legislature, and not the Corporation. It also excludes long service leave and defined benefit superannuation amounts, which are assumed by the Crown Finance Entity.

The Corporation did not provide any non-monetary benefits to Cabinet Ministers, their close family members or entities controlled or jointly controlled thereof during the year.

(b) Transactions with key management personnel

The Corporation did not enter into any related party transactions with key management personnel, their close family members or entities controlled or jointly controlled thereof during year.

(c) Transactions with Government entities

During the year, the Corporation entered into the following individually significant arm's-length transactions with other entities that are controlled by the NSW Government:

- Reimbursement for personnel services to the Department of Planning, Industry and Environment of \$3.2 million (2019: \$2.7 million), of which \$0.3 million (2019: \$0.2 million) is recognised as accrued expense at year end;
- Interest paid to the New South Wales Treasury Corporation of \$6.3 million (2019: \$7.6 million), which relates to the \$169.7 million (2019: \$165.6 million) in borrowings from the New South Wales Treasury Corporation; and
- Sale of Lenore Drive land in the Ropes Creek Precinct to Sydney Metro for \$99.7 million, of which \$49.9 million is recognised as a receivable at year-end.

The Corporation also entered into transactions with other entities that are controlled by the NSW Government. These transactions are conducted at arm's length and are not individually significant. These include costs associated with corporate services fees and reimbursement of other operating expenses to the Department of Planning, Industry and Environment, transactions with TCorp relating to the TCorpIM Fund, insurance arrangement with the NSW Self Insurance Corporation and audit services from the Audit Office of NSW.

27. Events after the reporting period

The Corporation is continually assessing the impact of COVID-19 on the fair value of its non-current physical and financial assets. These assets include land, buildings and receivables. Given continued uncertainty of the COVID-19 factor, there may be some new evidence that impacts the fair value assessment at 30 June 2020 materially. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

There are no other known events that would impact on the state of the Corporation or have a material impact on the financial statements.

End of audited financial statements.