

ANNUAL REPORT 2007 – 2008



STATE PROPERTY AUTHORITY

State Property Authority

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Letter of Submission

The Hon Joe Tripodi MP
Minister for Finance
Minister for Infrastructure
Minister for Regulatory Reform
Minister for Ports and Waterways
Level 31, Governor Macquarie Tower
1 Farrer Place
SYDNEY NSW 2000

Dear Minister

In accordance with the Annual Reports (Statutory Bodies) Act 1984, I have pleasure in submitting to you, for presentation to Parliament, a report on the activities and financial affairs of the State Property Authority for the period from 1 July 2007 to 30 June 2008.

Yours sincerely



MA Skewes
Chief Executive Officer

Statement by the Chief Executive Officer

The 2007-08 financial year was the first full year of operation for the State Property Authority which also saw transfer to the Authority on 1 July 2007 of all government owned properties of the former Crown Property Portfolio.

A highlight of the year was the release of Premier's Memorandum 2008-06 outlining the Government's new policy framework and guiding principles to assist in delivering operational efficiencies in the use of government properties.

Throughout the year, considerable resources were oriented to the implementation of the new property policy initiatives. These included commencing the vesting of all government owned and leased generic property assets into the Authority, progress on new government office accommodation projects at Penrith, Parramatta and Queanbeyan, and commencement of the review of government property portfolios. The Authority also continued to build cooperative relationships with agencies at various levels to more effectively support their property needs.

During 2007-08, the Authority established the platform for its corporate operations through a range of activities including corporate governance and risk management, organisational development and recruitment.

The year was also marked by strong business performance with the Authority achieving both financial and non-financial performance targets and a positive operating result. A dividend of \$32.5 million was paid to Government, \$3.1 million above the budgeted target. An additional \$41.4 million was paid as a Capital Repatriation distribution from the sale of Authority owned properties.

As the Authority moves into its second full year of operation, it is well positioned to deliver an effective, coordinated and professional approach to managing the Government's property assets.

Staff of the Authority faced many challenges in establishing and developing the organisation's systems, programs, and capacity to achieve the Government's objectives, and I am extremely grateful to them for their commitment and contribution to a successful year of operations.



M A Skewes

Chief Executive Officer
State Property Authority

SYDNEY
8 October 2008

Aims and Objectives

The State Property Authority is a statutory corporation established on 1 September 2006 by the *State Property Authority Act 2006*.

The Authority's principal objectives are to:

- Improve operational efficiencies in the use of properties, particularly generic properties, by government agencies;
- Manage properties of government agencies in ways that support the delivery of government services by agencies;
- Advise government on property matters; and
- Operate at least as efficiently as any comparable business.

The Authority is subject to the control and direction of the Minister for Finance in the exercise of its functions. The Authority is also required to report to the Treasurer on matters relating to the properties of government agencies.

The Office of the State Property Authority was established on 1 September 2006 as a Department of the Public Service, responsible to the Minister for Finance, by the Public Sector Employment and Management (State Property Authority) Order 2006. The Office of the State Property Authority employs staff, and provides their services to the State Property Authority, in order that the Authority can carry out its statutory functions. This arrangement is formalised in a Memorandum of Understanding between the two entities.

Premier's Memorandum 2008-06, "State Property Authority and Government Property Principles", was released on 10 April 2008 and established the framework for management of government property assets.

The Memorandum nominates the Authority as the Government's real estate services provider, being responsible for acquiring and managing the Government's generic property and, by agreement, other property assets.

The key initiatives of the new framework are:

- Immediate vesting (from 1 July 2008) to the Authority of the ownership of all government owned office accommodation;
- Implementation of a commercial rental charge for all office accommodation vested in the Authority;
- Transfer to the Authority of management responsibility of all government leased office accommodation;
- Extension of the role of the Government Leasing Service within the Authority to include all lease renewals and new and existing lease negotiations for generic property in the Greater Sydney Metropolitan Area (as defined by the Department of Planning);
- Regular and ongoing reviews by the Authority of agency property portfolios to identify efficiencies to improve service delivery which will be monitored by the Government Asset Management Committee and reported to government;
- The Authority as the Government's preferred acquisition and disposal agency; and

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- The Authority as the lead agency for all multi-faceted property proposals that are interlinked by timing, location or use.

The State Property Authority's objective is to work in collaboration with government agencies to effectively manage government property in a sustainable and responsible manner, to enhance the delivery of public services.

Organisational Outcomes and Achievements 2007-08

2007-08 was a successful first full year of operation for the State Property Authority. It also saw the Authority apply considerable resources to consolidating itself in terms of developing the structures, resources and expertise to deliver an effective, coordinated and professional approach to managing the Government's property assets.

During 2007-08 the Authority provided significant policy advice to government on the development of its new property policy framework. The subsequent release of Premier's Memorandum 2008-06 in April 2008 outlined the key policy initiatives and guiding principles to assist the Government in delivering savings and operational efficiencies in the use of its property assets.

As part of the policy implementation program, the Authority commenced property portfolio reviews. This activity continued throughout 2007-08 with the Authority successfully completing the Government endorsed review program. This included the identification of improvements in property management outcomes for agencies. The Authority also completed the Government endorsed program of studies to review the service delivery requirements and accommodation needs of agencies within a number of regional centres.

2007-08 also marked the commencement of preparatory work for the roll out of the coordinated vesting programs for the transfer of government owned and leased generic office accommodation to the Authority. This culminated in the first tranche of government owned properties transferring to the Authority on 1 July 2008.

Throughout the year, the Authority continued to provide a comprehensive service to government to assist in realising the value of surplus property including, where appropriate, advice on value-adding strategies to optimise the financial and economic returns to government from property sales. It also established its role as the preferred agency for acquiring and disposing of government property, in particular, assisting with divestments by non-property based agencies. The program included the Authority's divestment of the former Sheas Creek Woolsheds and QStores in Alexandria in July 2008, realising a net return to Government of \$39.97 million.

2007-08 also featured continued construction activity on the government office building in Penrith, substantial completion of the NSW Government Service Centre, Queanbeyan, and the completion of the Parramatta Justice Precinct, notably the Justice Office Building component.

A range of governance initiatives were also implemented during the year, including reviewing technology and business systems to support the property portfolio, establishing an independent Audit and Risk Management Committee, and developing risk management and functional structures to support the effective management of incoming assets.

Significant recruitment activity continued throughout 2007-08 in accordance with the Authority's approved Workforce Management Plan, focussing on addressing the skills and capacity of property operations in the three operating divisions.

The Authority's first full year of operation also featured a strong financial performance and the achievement of both financial and non-financial performance targets. This strong operating result saw an additional dividend payment to government of \$3.1 million, 10% higher than the quantum forecast.

Planning and Strategy

Throughout 2007-08, the State Property Authority continued to provide advice to central government and government agencies on various property related matters.

This role included:

- Reviewing agency office accommodation plans and strategies;
- Developing, implementing and monitoring regional asset strategies;
- Participating in whole-of-government property forums;
- Reviewing proposals for new and renewed leases for office accommodation; and
- Facilitating cluster planning groups.

The early part of 2007-08 saw considerable resources committed to providing policy advice to government on the development of the new Property Policy Framework.

The Authority also successfully completed its 2007-08 property portfolio review program to assist in identifying improvements in property management outcomes for agencies. Regional assessments were also undertaken in a number of centres to assess the alignment of service delivery needs with agencies property assets.

Portfolio Management

During the reporting period, the Authority directed considerable resources to preparatory work for the ownership and management of an expanded property portfolio. This included senior level agency visits and briefings on the vesting schedule and the verification of property data, due diligence and leasing documentation. An initial tranche of owned properties was vested in the Authority from 1 July 2008 and significant preparatory work was completed for the vesting of further tranches of owned and leased properties during 2008-09. The properties transferred on 1 July 2008 included owned office accommodation of the Department of Juvenile Justice, Department of Primary Industries, Roads and Traffic Authority and State Emergency Services.

During 2007-08, the Authority responded to 250 leasing requests from government agencies. This activity reflects the Authority's enhanced role under the Government's property policy which requires that all agency lease negotiations within the Sydney CBD and the Greater Sydney Metropolitan Area are to be dealt with by the Authority.

During the first quarter of 2007-08, the Authority commenced the development of its annual Total Asset Management Plan as required by NSW Treasury. The plan was submitted in October 2007 and provided an overarching asset strategy with supporting implementation plans as a framework for asset maintenance and forward capital works.

The Authority, through its outsourced service providers, continued to manage the facility operations of government owned buildings throughout NSW. Services included cleaning, ad-hoc repairs and equipment maintenance. The Authority also undertook a coordinated program of building inspections, as well as statutory audits of essential building services to ensure the highest level of maintenance and safety standards.

The Authority spent approximately \$9 million on over 200 minor works projects throughout the Government property portfolio in 2007-08. Projects included air conditioning upgrades, carpet replacement, toilet amenities refurbishment and energy and water efficiency projects.

Energy Management

During 2007-08, the Authority developed a sustainability strategy for energy and water monitoring in its owned office portfolio, and introduced initiatives aimed at reducing energy and water consumption. These included:

- Bligh House lighting upgrade to reduce office lighting by approximately 60%, reduce electricity consumption by 324,000 kilowatts per annum, and reduce greenhouse gas emissions by over 300 tonnes per annum;
- Installation of water efficient toilets, taps and urinals (McKell Building, Bligh House, Dubbo and Orange Government Office Buildings); and
- Development of a Utility Information System to monitor, record and report on the energy and water consumption for government office buildings.

These initiatives were in line with the Premier's announcement of May 2008 setting new benchmarks for energy and water use by government agencies, including:

- Requiring all government owned or tenanted buildings to obtain 4.5 star environmental performance rating for both energy and water efficiency by 1 July 2011; and
- Requiring a 15% reduction in water consumption across all budget dependent agencies.

Throughout the year, the Authority promoted sustainability concepts to tenants and the public through regular tenant newsletters, tenant meetings and presentations at conferences. The Authority encouraged the recycling of materials such as paper, plastic, cardboard, glass and toner cartridges by the provision of recycling facilities throughout the Government property portfolio.

The installation of showers and locker facilities at the Authority's Bligh House head office encouraged staff to consider alternate methods of commuting to work, e.g. walking or cycling, and supports the underlying principles of the Premier's Council for Active Living "Active Living Statement" of September 2007.

Divestments, Acquisitions and Development

Throughout 2007-08, the Authority further developed its role as the preferred agency for acquiring and disposing of government properties under the Premier's Memorandum, and provided expert advice to government agencies on property sales and value-adding strategies to optimise the financial and economic returns to government.

During 2007-08, the Authority completed a range of surplus government property sales with the highlight the sale of the former Sheas Creek Woolsheds and QStores in Alexandria in July 2007-08.

The Authority also supported initiatives to centralise the divestment activities of non-property based agencies to improve the efficiency and consistency of commercial transactions and realise economies of scale.

During the reporting period, the Authority provided cost-effective property acquisition expertise to support government agencies in improving their service delivery. The Authority's achievements in this area during 2007-08 included:

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- Managing a program of 268 individual owner acquisitions on behalf of government agencies;
 - Completing and settling 63 individual owner acquisitions at a combined value of approximately \$18 million;
 - Vesting 221 land parcels in the Authority under *State Property Authority Act 2006*; and
 - Vesting 176 lease interests in the Authority under the *State Property Authority Act 2006*.

As the lead agency for all linked, multi-agency property proposals, the Authority spent \$64 million in 2007-08 on further construction activity related to government office accommodation projects.

The substantial completion of the New South Wales Government Service Centre, Queanbeyan in late June 2008 fulfilled the Government's commitment to provide easier access to, and better delivery of services to regional communities. The consolidation of eleven government agencies into an integrated facility has improved access to services and reduced overall accommodation costs. A single, ground floor Information and Reception Centre provides a service delivery focus for tenant agencies and assists customers with information on a wider range of government services. The state of the art, five storey complex was designed to achieve a 4.5 star NABERS (National Australian Built Environment Rating Scheme) energy rating, reducing greenhouse emissions and tenant's power consumption.

Further construction activity at the Parramatta Justice Precinct saw completion of the Justice Office Building and Trial Courts. The August 2007 completion of the Justice Office Building, owned by the Authority, was a major milestone in the creation of the \$330 million Precinct, completed ahead of schedule and within budget. The complex provides ease of access to government services in the area and sees the co-location of the NSW Children's Court, the Sydney West Trial Courts, the Attorney General's Department and the Jeffery House community health facility. The Justice Office Building was the first State Government building in NSW to achieve a five star Australian Building Greenhouse (ABGR) Rating and five star Green Star environmental rating.

Construction of the \$49 million Penrith Government Office Building remained on track and within budget throughout 2007-08 for completion in 2008-09. The complex will be the new headquarters of the Sydney Catchment Authority and local offices of the Department of Community Services and Office of Fair Trading, along with a number of other government services for the area. The co-location of government agencies in the one facility will significantly improve the community's access to services and reduce accommodation costs. The building, comprising approximately 8000m² over seven stories, will accommodate around 450 public sector employees. It is designed to achieve a 4.5 star energy rating and will incorporate the latest in water saving features.

Financial Performance

Overview

FINANCIAL OVERVIEW	2007-08 ACTUAL \$000	2007-08 BUDGET \$000	2007-08 VARIANCE \$000	2008-09 BUDGET \$000
INCOME STATEMENT				
Revenues	253,165	262,634	(9,469)	215,921
Expenses	132,602	147,111	14,509	165,111
Net Gain Asset Disposals/Valuations	11,980	0	11,980	2,627
OPERATING SURPLUS	132,543	115,523	17,020	53,437
BALANCE SHEET				
Total Assets	1,263,698	990,308	273,390	1,137,189
Total Liabilities	352,011	302,493	(49,518)	329,836
NET ASSETS/EQUITY	911,687	687,815	223,872	807,353
CAPITAL PROGRAM				
Property Construction	64,960	81,210	16,250	12,000
Property Upgrading & Other	9,725	8,705	(1,020)	6,890
TOTAL CAPITAL PROGRAM	74,685	89,915	15,230	18,890
FINANCIAL DISTRIBUTIONS				
Normal Dividend	32,488	29,388	3,100	38,392
Capital Repatriations	41,267	0	41,267	16,475
TOTAL FINANCIAL DISTRIBUTIONS	73,755	29,388	44,367	54,867

The 2007-08 financial year was the first full year of operations for the Authority. The year saw the transfer of the functions and activities of all owned and leased properties of the former Crown Property Portfolio (CPP) into the Authority from 1 July 2007. This transfer impacted significantly on the financial operations and net worth of the Authority. Most notably, revenues increased from \$11.9 million in 2006-07 to \$253.2 million, expenses from \$8.3 million to \$132.5 million and net assets from \$182.0 million at 30 June 2007 to \$911.7 million as at 30 June 2008.

The Authority's total assets increased from \$319.6 million as at 30 June 2007 to \$1.264 billion as at 30 June 2008. While much of this increase resulted from the vesting of CPP properties, property revaluation gains also had an impact.

The Authority recorded an operating surplus of \$132.5 million for 2007-08 which was \$17.0 million greater than budget. The increase on budget was largely due to net book gains realised on the disposal and revaluation of various property assets. Further analysis of the Authority's operating result, including a summary of the 2008-09 budget is outlined in the following section.

A total of \$107.2 million in cash generated from the Authority's operations was applied towards the Authority's 2007-08 Capital Works Program and towards financial distributions returned to the State Government as normal dividends.

Expenditure on Capital Works during 2007-08 totalled \$74.7 million. This result was \$15.2 million less than the budget and was largely due to construction timing in the Penrith Government Office Building and savings realised on the construction of the New South Wales Government Service Centre, Queanbeyan.

The total dividend from surplus net rental income returned by the Authority to the State Government in 2007-08 was \$32.5 million. This comprised the targeted payment of \$29.4 million and an additional \$3.1 million paid in late June 2008.

Financial Operations

INCOME STATEMENT	2007-08 ACTUAL \$000	2007-08 BUDGET \$000	2007-08 VARIANCE \$000	2008-09 BUDGET \$000
REVENUES				
Rental Income	159,663	153,376	6,287	176,643
Fees for Services	4,417	7,762	(3,345)	5,797
Interest Income	6,918	5,719	1,199	5,346
Government Contributions				
Recurrent	5,631	5,861	(230)	7,944
Capital	74,685	89,916	(15,231)	18,890
Emerging Asset Income	1,850	0	1,850	1,301
Other Income	1	0	1	0
TOTAL REVENUES	253,165	262,634	(9,469)	215,921
EXPENSES				
Employee Related Expenses	10,552	10,885	333	13,677
Property Head Lease Expense	91,138	100,300	9,162	99,454
Other Property and Operating Expenses	21,601	22,708	1,107	27,620
Finance Costs	(4,954)	6,804	11,758	9,103
Depreciation and Amortisation	14,265	6,414	(7,851)	15,257
TOTAL EXPENSES	1,32,602	147,111	14,509	165,111
Gain/(Loss) on Disposal of Assets	16,759	0	16,759	2,627
Valuation Gains/(Losses)	(4,779)	0	(4,779)	0
NET SURPLUS	132,543	115,523	17,020	53,437

2007-08 Operating Result

The Authority's 2007-08 operating result of \$132.5 million was \$17.0 million greater than budget. Included in the surplus is a gain of \$16.8 million relating to unbudgeted sales of Authority owned properties during the year including the former Sheas Creek Woolshed site at Alexandria.

Revenue totalling \$253.2 million was \$9.5 million lower than budget. The main cause of this was a reduction of \$15.2 million in capital works funding requirements which resulted largely from timing of project construction. This reduction was partly offset by a \$6.2 million unbudgeted increase in rental income received mainly from various parcels of land in Newcastle following the transfer of lease management responsibilities from the Regional Land Management Corporation to the Authority in February 2008.

Expenses totalling \$132.6 million were \$14.5 million below budget. This reduction included a \$9.2 million reduction in budgeted property head lease expenses which resulted from rent review finalisations and other adjustments. Finance costs also reduced by \$11.8 million largely due to provision adjustments resulting from a reassessment of remaining remediation expenditure requirements on various Authority-owned lands in Newcastle. These reductions were partly offset by an increase in depreciation and amortisation expense of \$7.9 million.

2008-09 Operating Budget Overview

The budgeted net surplus for 2008-09 is \$53.4 million. This surplus will result from total revenues of \$215.9 million less total expenses of \$165.1 million.

Total revenues will be dominated by rental income of \$176.6 million received from owned and leased government office accommodation properties. An amount of \$26.8 million in State Government contributions will also be received to fund approved capital works, programmed maintenance and whole-of-government services provided by the Authority.

Rental income is projected to increase by around \$17.0 million over the 2007-08 actual result. This increase will mainly be derived from the vesting of owned and leased properties and additional rents received from newly constructed office buildings in Parramatta, Queanbeyan and Penrith.

State Government funding for major construction works will decrease by \$53.0 million on the amount provided in 2007-08. This is due to lower capital expenditure requirements in 2008-09 as the final stages of office building constructions in Queanbeyan and Penrith are completed.

Total expenses of \$165.1 million are budgeted in 2008-09. Of this amount, \$151.4 million relates to rental, other property related and other operating expenses. Increases totalling \$14.3 million in property head lease and other property related expenses over the 2007-08 actuals will largely result from increased expenses associated with the vesting of owned and leased properties and from operating costs associated with the Authority's newly constructed office buildings in Parramatta, Queanbeyan and Penrith.

The 2008-09 Budget shown above varies from that published in the 2008-09 State Budget papers. This is mainly due to an over-estimate of agency owned properties originally earmarked for vesting in the Authority during 2008-09. The revised budget incorporates a lower number of owned and leased property vesting and resulted in a reduction of \$19.9 million to the original budgeted operating surplus.

2007-08 Independent Audit Outcome

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

The independent Audit of the Authority's accounts was completed by the Audit Office of NSW on 9 October 2008. The Audit Office issued an unmodified Independent Auditor's Report for both entities on that date.

The following significant matters were raised by the Audit Office within the Statutory Audit Report and advised to management at the conclusion of the Audit:

- The independent valuation of the Parramatta Justice Office Building obtained by the Authority at 30 June 2008 resulted in a decrement of \$39.8 million; and
- The Authority does not disaggregate buildings for the purposes of depreciation.

With regard to the Parramatta Justice Office Building decrement, it is not uncommon for total construction costs to exceed fair market value on completion of a building in certain markets. As with all Authority owned office accommodation, the main purpose of the building is to satisfy service delivery needs of government and is not for commercial investment. Construction was completed in December 2007 and the building is part of the Parramatta Justice Precinct.

The second matter raised by Audit relates to the disaggregation of the Authority's major office building assets into individually significant component assets which may have varying useful lives and thereby may impact on the Authority's overall depreciation expense. The Authority will be assessing its major building assets in 2008-09 with a view to disaggregating these assets into individual components where the impact on depreciation expense is considered to be material.

Corporate Governance

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

The Advisory Board comprises the Deputy Secretary, Office of Infrastructure Management, NSW Treasury (Chair), the Director-General, Department of Premier and Cabinet and the Director-General, Department of Education and Training. The Board met on a regular basis during 2007-08.

The Treasurer also has a role, with the Authority required by the *State Property Authority Act 2006* to report to the Treasurer on matters relating to the properties of government agencies, including advice on their efficient utilisation and relevant budgetary measures.

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

Organisation Structure



Senior Executive Service

During the reporting period, the senior executive consisted of the following:

Chief Executive Officer

Ms Susan Power, Acting Chief Executive Officer from 7 May 2007 until 4 September 2007.

Ms Anne Skewes was appointed as Chief Executive Officer (SES Level 6) on 5 September 2007.

Achievements during 2007-08 included:

- Release and implementation of Premier's Memorandum 2008-06 outlining the Government's new property policy framework and guiding principles to assist the Authority in delivering savings and operational efficiencies in the use of government properties;
- Commencement of vesting of government owned and leased generic property assets into the Authority, with the support of service provider agencies;
- Completion of construction of the Justice Office Building at the Parramatta Justice Precinct with the Authority assuming a lead role in Precinct management;
- Substantial completion of construction activity on the NSW Government Service Centre, Queanbeyan and progress on the NSW Government Office Building, Penrith in accordance with the contract; and
- Management of an efficient government office portfolio with vacancies maintained at less than 1.4%

General Manager, Planning and Strategy

Mr Lindsay Haraldson occupied the position in an acting capacity from 16 July 2007, and was appointed (SES Level 3) on 1 April 2008.

General Manager, Portfolio Management

Mr Trevor Seymour-Jones occupied the position in an acting capacity from 16 July 2007 until 28 December 2007.

Mr Richard Hemsworth was appointed to the position (SES Level 3) effective 2 June 2008.

General Manager, Divestments, Acquisitions and Development

Mr John Davidson occupied the position in an acting capacity from 16 July 2007 until 28 January 2008.

Mr Simon Furness was appointed to the position (SES Level 3) effective 29 January 2008.

Corporate Counsel

Ms Jodi Denehy was appointed to the position (SES level 2) effective 25 June 2008.

Corporate Management

During 2007-08, the Authority's Corporate Management Division continued to provide a comprehensive range of corporate support services to the Authority, CEO and Minister. These included human resources, business services and financial management.

Human Resources

In accordance with its approved Workforce Management Plan, the Authority undertook significant recruitment activity throughout 2007-08. Revised structures and functions for the Authority's three operational divisions were also developed requiring the recruitment and appointment of new and existing staff.

These divisional restructures lay the foundation for further recruitment activity in 2008-09 as the Authority prepares to meet the demands of implementing the initiatives of Premier's Memorandum 2008-06, particularly the vesting and ongoing management of generic government owned and leased properties.

Specific initiatives included:

- Recruitment of senior executive positions in management and legal affairs.
- Development and implementation of a Memorandum of Understanding between the Authority and the Public Service Association of NSW for the paying of adjusted fortnightly staff salaries in lieu of annual leave loading;
- The successful transfer of all Authority payroll and related records and services from the Department of Commerce to the Central Corporate Services Unit; and
- The delivery of staff development opportunities through training and organisational development programs.

Occupational Health and Safety (OH&S)

A number of initiatives were advanced to progress the occupational health and safety requirements of the Authority including:

- Retention of the services of FMA Psychology Pty Ltd as the provider of an employee assistance program for staff of the Authority;
- Retention of the Department of Commerce as the Authority's outsourced service provider for workplace injury management functions; and
- Incorporation of OH&S initiatives and responsibilities into all Authority position descriptions, including senior executive employment contracts, risk management plans and governance arrangements.

Equity and Diversity

Major initiatives in promoting equity and diversity during 2007-08 included:

- The incorporation of Equal Employment Opportunity (EEO) principles and initiatives into all position descriptions and senior executive employment contracts and performance agreements;

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- The implementation of mandatory training for staff participating on selection committees as a matter of corporate policy;
 - Achievement of an increased representation of women in the Authority's workforce, from 24.5% in 2006/07 to 30.2% in 2007/08;
 - The provision and implementation of equal opportunities for staff through secondments and transfers across the Authority; and
 - The implementation of a weekly staff publication to all staff advising of current workforce issues, including new career opportunities, recruitment and selection programs and staff appointments.

Business Services

The business services function of the Authority is relatively small and, during 2007-08, focused on a number of establishment activities including:

- Establishment of an independent Audit and Risk Management Committee and internal auditing arrangements;
- Maintenance of business continuity during the relocation from the McKell Building to Bligh House in October 2007, and migration of the property management databases to a new server environment;
- Establishment of the Authority's corporate website at <http://www.spa.nsw.gov.au>; and
- Development of records management and motor vehicle policies, and a corporate risk management policy and risk treatment plan based on an enterprise wide risk assessment.

Financial Services

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

Major outcomes and achievements during 2007-08 included:

- Financial integration and consolidation of the accounts of the former Crown Property Portfolio with the accounts of the State Property Authority from 1 July 2007;
- Full transitioning of all corporate accounting functions previously provided by the Department of Commerce into the Authority from 1 July 2007;
- Development of the Authority's 2008-09 financial plan and consolidated budget incorporating estimates for the ongoing program of new owned and leased property vesting;
- Development of the Authority's MRI property management system accounting modules to provide enhanced property and corporate accounts receivable, billing, project costing, corporate general ledger and financial performance reporting functionality; and

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- Creation of the Authority's Corporate Fixed Asset Register and procedures for the ongoing recording, monitoring and annual stocktaking of corporate assets.

Audited Financial Information

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Financial Report

For the Year Ended 30 June 2008

Statement by the Chief Executive Officer

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

- (a) The accompanying financial statements exhibit a true and fair view of the financial position of the State Property Authority as at 30 June 2008 and the transactions for the year then ended.
- (b) The financial report complies with applicable Australian Accounting Standards (which include Australian Accounting Interpretations), the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2005*, and the Treasurer's Directions.

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

A handwritten signature in black ink, appearing to read "M A Skewes".

M A Skewes

Chief Executive Officer
State Property Authority

SYDNEY

8 October 2008



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

State Property Authority and controlled entity

To Members of the New South Wales Parliament

I have audited the accompanying financial report of the State Property Authority (the Authority), which comprises the balance sheet as at 30 June 2008, the income statement, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes for both the Authority, and the Authority and controlled entity (the consolidated entity). The consolidated entity comprises the Authority and the entities it controlled at the year's end or from time to time during the financial year.

Auditor's Opinion

In my opinion, the financial report:

- presents fairly, in all material respects, the financial position of the Authority and the consolidated entity as at 30 June 2008, and of their financial performance and their cash flows for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2005.

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

The Chief Executive Officer's Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

My opinion does *not* provide assurance:

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

Independence

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

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



Heather Watson
Director, Financial Audit Services

9 October 2008
SYDNEY

State Property Authority

Start of Audited Financial Statements

Income Statement

For the Year Ended 30 June 2008

	Note	Consolidated Entity		Authority	
		2008 \$'000	* 2007 \$'000	2008 \$'000	* 2007 \$'000
Revenue					
Property Rental Income	2(a)	159,663	-	159,663	-
Fees for Services	2(b)	4,417	7,497	4,417	7,497
Grants and Contributions	2(c)	80,316	1,594	80,316	1,594
Interest	2(d)	6,918	2,833	6,918	2,833
Emerging Asset Income	2(e)	1,850	-	1,850	-
Other Income	2(f)	1	-	1	-
Total Revenue		253,165	11,924	253,165	11,924
Expenses Excluding Losses					
Employee Related Expenses	3(a)	10,552	5,705	10,552	5,705
Property Head Lease Expense	3(b)	91,138	-	91,138	-
Other Property Related Expenses	3(c)	18,298	-	18,298	-
Finance Costs	3(d)	(4,954)	-	(4,954)	-
Depreciation and Amortisation	3(e)	14,265	55	14,265	55
Other Operating Expenses	3(f)	3,303	2,527	3,303	2,527
Total Expenses Excluding Losses		132,602	8,287	132,602	8,287
Net Gain/(Loss) on Disposal of Property Plant & Equipment	4(a)	16,759	(126)	16,759	(126)
Net Gain/(Loss) on Revaluation of Property Plant and Equipment	4(b)	(12,601)	-	(12,601)	-
Net Gain/(Loss) on Revaluation of Investment Property	4(c)	7,822	-	7,822	-
Net Surplus for the Period		132,543	3,511	132,543	3,511

* For the Ten Month Period 1 September 2006 to 30 June 2007

[The accompanying notes form part of these statements]

State Property Authority

Balance Sheet

As At 30 June 2008

	Note	Consolidated Entity		Authority	
		2008	2007	2008	2007
		\$'000	\$'000	\$'000	\$'000
ASSETS					
Current Assets					
Cash and Cash Equivalents	5	120,628	120,225	120,628	120,225
Receivables	6	18,781	11,074	16,477	8,765
Total Current Assets		139,409	131,299	137,105	128,990
Non-Current Assets					
Property, Plant and Equipment	7	1,085,209	187,948	1,085,209	187,948
Investment Property	8	23,540	-	23,540	-
Intangibles	10	251	40	251	40
Receivables	6	15,289	270	15,179	-
Total Non Current Assets		1,124,289	188,258	1,124,179	187,988
TOTAL ASSETS		1,263,698	319,557	1,261,284	316,978
LIABILITIES					
Current Liabilities					
Payables	11	19,008	20,342	20,015	21,282
Finance Lease Liabilities	18(d)	1,989	-	1,989	-
Provisions					
- Land Remediation	13	1,137	37,347	1,137	37,347
- Other	13	5,719	3,249	2,408	-
Other Liabilities					
- Deferred Income	14	3,172	-	3,172	-
Total Current Liabilities		31,025	60,938	28,721	58,629
Non-Current Liabilities					
Payables	12	-	-	1,364	179
Finance Lease Liabilities	18(d)	52,576	-	52,576	-
Provisions					
- Land Remediation	13	82,765	76,133	82,765	76,133
- Other	13	16,653	449	15,179	-
Other Liabilities					
- Deferred Income	14	168,992	-	168,992	-
Total Non-Current Liabilities		320,986	76,582	320,876	76,312
TOTAL LIABILITIES		352,011	137,520	349,597	134,941
NET ASSETS		911,687	182,037	911,687	182,037
EQUITY					
Retained Earnings	15(a)	712,320	129,927	712,320	129,927
Asset Revaluation Reserve	15(b)	199,367	52,110	199,367	52,110
TOTAL EQUITY		911,687	182,037	911,687	182,037

[The accompanying notes form part of these statements]

State Property Authority

Statement of Changes in Equity

For the Year Ended 30 June 2008

	Note	Consolidated Entity		Authority	
		2008 \$'000	* 2007 \$'000	2008 \$'000	* 2007 \$'000
Total Equity at the Beginning of the Year		182,037	0	182,037	0
Income and Expense Recognised Directly in Equity					
Net Surplus for the Period		132,543	3,511	132,543	3,511
Net Gain on Property Revaluations	15(b)	147,454	52,110	147,454	52,110
Total Income and Expense Recognised Directly in Equity		279,997	55,621	279,997	55,621
Transactions with Owners in Their Capacity as Owners					
Increase/(Decrease) in Net Assets from Equity Transfers:					
- Transfer from Department of Commerce	16(a)	-	(557)	-	(557)
- Transfer from Crown Property Portfolio	16(b)	519,208	128,827	519,208	128,827
- Transfer of Property, Plant and Equipment to other Government Agencies	15(a)	(600)	-	(600)	-
- Transfer of Property, Plant and Equipment from other Government Agencies	15(a)	4,800	-	4,800	-
Distributions to Owners					
- Financial Distributions	15(a)	(73,755)	(1,854)	(73,755)	(1,854)
Total Transactions with Owners in Their Capacity as Owners		449,653	126,416	449,653	126,416
Total Changes in Equity for the Year		729,650	182,037	729,650	182,037
Total Equity at the End of the Year		911,687	182,037	911,687	182,037

* For the Ten Month Period 1 September 2006 to 30 June 2007

[The accompanying notes form part of these statements]

State Property Authority

Cash Flow Statement For the Year Ended 30 June 2008

		Consolidated Entity		Authority	
	Note	2008	* 2007	2008	* 2007
		\$'000	\$'000	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Payments					
Property Related		(127,430)	-	(127,430)	
Employee Related		(9,656)	(6,630)	(9,656)	(6,630)
Land Remediation		(24,758)	(11,567)	(24,758)	(11,567)
Other		(3,135)	(3,804)	(3,135)	(3,804)
Total Payments		(164,979)	(22,001)	(164,979)	(22,001)
Receipts					
Rental Income		163,259	-	163,259	-
Fees for Services		5,803	7,150	5,803	7,150
Interest		6,976	3,842	6,976	3,842
Other		1	6,520	1	6,520
Total Receipts		176,039	17,512	176,039	17,512
Cash Flows from Government					
State Government Contribution		79,636	1,594	79,636	1,594
Net Cash Flows from Government		79,636	1,594	79,636	1,594
NET CASH FLOWS FROM OPERATING ACTIVITIES					
	5(b)	90,696	(2,895)	90,696	(2,895)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of Property, Plant and Equipment		(76,349)	(105)	(76,349)	(105)
Proceeds from Sale of Property Plant and Equipment		41,267	1,854	41,267	1,854
NET CASH FLOWS FROM INVESTING ACTIVITIES		(35,082)	1,749	(35,082)	1,749
CASH FLOWS FROM FINANCING ACTIVITIES					
Financial Distributions to the State Government	1(u)	(75,597)	-	(75,597)	-
NET CASH FLOWS FROM FINANCING ACTIVITIES		(75,597)	-	(75,597)	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS					
		(19,983)	(1,146)	(19,983)	(1,146)
Opening Cash and Cash Equivalents		120,225	-	120,225	-
Cash Transferred in as a Result of Administrative Restructuring	16	20,386	121,371	20,386	121,371
CLOSING CASH AND CASH EQUIVALENTS	5(a)	120,628	120,225	120,628	120,225

* For the Ten Month Period 1 September 2006 to 30 June 2007

[The accompanying notes form part of these statements]

State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

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

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

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

The Authority was established under the *State Property Authority Act 2006* and commenced operations on 1 September 2006.

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

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

On 1 July 2007, all the properties contained in the Crown Property Portfolio were vested in the State Property Authority under the provisions of the *State Property Authority Act 2006*. As a consequence, all assets, liabilities and commercial activities relating to these properties were transferred at the same time.

As the Authority commenced operations on 1 September 2006, all comparative information (excluding Note 17 which is for the 12 month period ending on 30 June 2007) presented in this financial report is for the ten month period commencing on 1 September 2006 and ending on 30 June 2007.

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

These financial statements have been authorised for issue by the Authority's Chief Executive Officer on 8 October 2008.

(b) Basis of Preparation

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

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

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

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

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2008

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

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

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

(c) Statement of Compliance

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

Australian Accounting Standards that have recently been issued or amended but are not yet effective and have not been adopted for the reporting period ending 30 June 2008 are:

- AASB 3 (Mar 2008), AASB 127 and AASB 2008-3 Regarding Business Combinations
- AASB 8 & AASB 2007-3 regarding operating segments
- AASB 101 (Sep 2007) and AASB 2007-8 regarding presentation of financial statements
- AASB 123 (Jun 2007) and AASB 2007-6 regarding borrowing costs
- AASB 1004 (Dec 2007) regarding contributions
- AASB 1049 (Oct 2007) regarding the whole-of-government and general government sector financial reporting
- AASB 1050 (Dec 2007) regarding administered items
- AASB 1051 (Dec 2007) regarding land under roads
- AASB 1052 (Dec 2007) regarding disaggregated disclosures
- AASB 2007-9 regarding amendments arising from the review of AAS 27, AAS 29 and AAS 31
- AASB 2008-1 regarding share-based payments
- AASB 2008-2 regarding puttable financial instruments
- Interpretation 4 (Feb 2007) regarding determining whether an arrangement contains a lease
- Interpretation 12 & AASB 2007-2 regarding service concession arrangements
- Interpretation 13 on customer loyalty programmes
- Interpretation 14 regarding the limit on a defined benefit asset
- Interpretation 129 (Feb 2007) regarding service concession disclosures
- Interpretation 1038 (Dec 2007) regarding contributions by owners

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

(d) Income Recognition

(i) Property Rental Income

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

(ii) Rendering of Services

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

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2008

(iii) Interest Income

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

(iv) Grants and Contributions

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

(v) Sale of Property, Plant and Equipment

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

(vi) Emerging Asset Increment

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

(e) Employee Benefits and Other Provisions

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

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

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

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

(ii) Long Service Leave

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

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

(iii) Superannuation

Defined Contribution Schemes:

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

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2008

Defined Benefit Schemes:

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

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

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

(iv) Other Provisions

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

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

(f) Insurance

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

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

(g) Goods and Services Tax (GST)

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

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

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2008

(h) Acquisition of Property, Plant and Equipment

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

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

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

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

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

(i) Revaluation of Property, Plant and Equipment

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

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

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

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

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

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

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

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

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

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2008

(j) Impairment of Property, Plant and Equipment

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

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

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

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

(k) Investment Properties

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

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

Transfers are made to investment property when, and only when, there is a change in use evidenced by the ending of owner-occupation, commencement of an operating lease to another party or the ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

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

(l) Assets Held For Sale

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

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

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2008

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

(i) Depreciation

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

The depreciation rates used for each class of assets are:

	2007-08	2006-07
Buildings	2.5% to 9.09%	-
Computer Equipment and Software	33.3%	20%
Furniture and Fittings	10%	10%
Plant and Equipment and Office Equipment	20%	10%
Leasehold Improvements	16.67%	-

These rates are reviewed on an annual basis.

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

(ii) Amortisation

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

(n) Capitalisation Thresholds

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

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

(o) Maintenance

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

(p) Intangible Assets

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

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

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

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

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2008

(q) Leased Assets

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

(i) Finance Leases

Assets held under finance leases are recognised on inception at an amount equal to the fair value of the leased property, or if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease liability (Note 18(d)). Lease payments are allocated between the principal component of the lease liability and the interest expense.

(ii) Operating Leases

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

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

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

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

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

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

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

(r) Other Assets

Other assets are recognised on a cost basis.

(s) Financial Instruments

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

(i) Cash and Cash Equivalents

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

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

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2008

(ii) Loans and Receivables

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

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

(iii) Payables

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

(t) Impairment of Financial Assets

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

(u) Financial Distributions

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

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

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

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

State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2008

(v) Equity Transfers

The establishment of new statutory bodies or transfer of net assets between agencies as a result of an administrative restructure, transfers of programs/functions and parts thereof between NSW public sector agencies are designated as a contribution by owners and recognised as an adjustment to Retained Earnings. This treatment is in accordance with Treasury Policy and Guidelines Paper 08-3 "Contributions By Owners Made to Wholly-Owned Public Sector Entities" and is consistent with Interpretation 1038 "Contributions by Owners Made to Wholly-Owned Public Sector Entities" and Australian Accounting Standards.

Transfers arising from an administrative restructure between government agencies are recognised at the amount at which the asset was recognised by the transferor government agency immediately prior to the restructure. In most cases this will approximate fair value. All other equity transfers are recognised at fair value (Note 16).

2. REVENUE

(a) Property Rental Income

	Consolidated Entity		Authority	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Owned Property	56,934	-	56,934	-
Owned Investment Property	1,764	-	1,764	-
Leased Property	100,965	-	100,965	-
	159,663	-	159,663	-

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

Receivable within one year	62,919	-	62,919	-
Receivable later than 1 year but not later than 5 years	74,222	-	74,222	-
Receivable later than 5 years	316,825	-	316,825	-
Total Including GST	453,966	-	453,966	-

The above represents future minimum lease receipts on the Authority's owned properties. Future minimum lease receipts as at 30 June 2008 are inclusive of GST, including GST payable of \$41.270 million (\$0 at 30 June 2007). The GST payable is a contingent liability (Note 19).

(b) Fees for Services

	Consolidated Entity		Authority	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Fees for Services Rendered	4,417	7,497	4,417	7,497
	4,417	7,497	4,417	7,497

(c) Grants and Contributions

	Consolidated Entity		Authority	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
State Government - Recurrent Contribution (i)	5,631	1,594	5,631	1,594
State Government - Capital Contribution (ii)	74,685	-	74,685	-
	80,316	1,594	80,316	1,594

(i) The Authority receives an annual recurrent contribution from the State Government for a range of non-commercial professional services undertaken which provide a whole-of-government benefit. These services include agency property portfolio reviews, whole-of-town studies, property policy implementation, pre-sale property disposal activities and coordination work on major capital project developments. A contribution is also received for any non-capitalised expenditure incurred on the Authority's Cyclic Property Refurbishment Program.

(ii) The Authority's approved Capital Program is fully funded by the State Government by way an annual capital contribution. The Program includes major works such as the construction of Government Office Buildings and other asset renewal works included under the Authority's Cyclic Property Refurbishment Program.

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2008

(d) Interest	Consolidated Entity		Authority	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Total Interest Earned (i)	7,239	2,948	7,239	2,948
Less:				
Interest attributed to monies held on behalf of the Newcastle University and Newcastle City Council (Notes 5 & 11)	(321)	(115)	(321)	(115)
	6,918	2,833	6,918	2,833

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

(e) Emerging Asset Income	Consolidated Entity		Authority	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Emerging Asset Revenue (i)	1,850	-	1,850	-
	1,850	-	1,850	-

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

(f) Other Income	Consolidated Entity		Authority	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Other	1	-	1	-
	1	-	1	-

3. EXPENSES EXCLUDING LOSSES

(a) Employee Related Expenses

	Consolidated Entity		Authority	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Salaries and Wages (Including Recreation Leave)	7,942	6,155	-	-
Superannuation (Defined Benefit Plans) (i)	1,469	(1,191)	-	-
Superannuation (Defined Contribution Plans)	338	249	-	-
Long Service Leave	351	155	-	-
Worker's Compensation Insurance	36	62	-	-
Payroll Tax and Fringe Benefits Tax	416	275	-	-
Personnel Services Expense (ii)	-	-	10,552	5,705
	10,552	5,705	10,552	5,705

- (i) The actuarial valuation undertaken on the Office of the State Property Authority's (the Office) defined benefit superannuation schemes as at 30 June 2008, has determined an increase in the Office's overall net liability of \$1.185 million (\$1.420 million reduction in 2006-07) during the reporting period. This increase has largely resulted from negative investment returns on fund assets (see Note 12). The resulting increase in the Office's net liability has been debited in the Income Statement to the Office's defined benefits plan superannuation expense under Employee Related Expenses.
- (ii) The personnel services expense is the expense incurred by the State Property Authority (the Authority) on personnel services provided to it by the Office of the State Property Authority (the Office). The Office, which is controlled by the Authority, is a Division of the Government Service under Schedule 1 to the *Public Sector Employment and Management Act 2002*. Its sole objective is to provide personnel services to the Authority which, under the *State Property Authority Act 2006*, is unable to employ staff. Due to the nature of the expense, the Authority classifies the personnel services expense as Employee Related Expenses.

State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2008

(b) Property Head Lease Expense

	Consolidated Entity		Authority	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Minimum Lease Payments (i)	79,230	-	79,230	-
Rental Expenses Arising from Sub-Leases (ii)	13,610	-	13,610	-
Contingent Rentals (iii)	977	-	977	-
Finance Lease Asset Adjustment (iv)	(1,271)	-	(1,271)	-
	92,546	-	92,546	-
Less: Amortisation of Lease Free Incentives (v)	(1,408)	-	(1,408)	-
	91,138	-	91,138	-

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

(c) Other Property Related Expenses

	Consolidated Entity		Authority	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Property Expenses (i)	14,087	-	14,087	-
Maintenance and Refurbishment	1,437	-	1,437	-
Management Fees	2,378	-	2,378	-
Bad Debts	396	-	396	-
	18,298	-	18,298	-

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

(d) Finance Costs

	Consolidated Entity		Authority	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Finance Lease Interest Charges (Note 18(d))	3,453	-	3,453	-
Finance Charges - Adjustment to Present Value of Land Remediation Liability (Note 13(d))	(8,407)	-	(8,407)	-
	(4,954)	-	(4,954)	-

State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2008

(e) Depreciation and Amortisation

	Consolidated Entity		Authority	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Depreciation of Property, Plant and Equipment (Note 7)	8,567	52	8,567	52
Amortisation of Assets (Note 7 & 10)	5,698	3	5,698	3
	14,265	55	14,265	55

(f) Other Operating Expenses

	Consolidated Entity		Authority	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Audit Fees (Audit of Financial Reports)	124	20	124	20
Legal Fees	28	28	28	28
Consultancy Fees	169	91	169	91
Office Accommodation Expenses	810	525	810	525
Corporate Service Fees	628	1,455	628	1,455
Other (i)	1,548	408	1,548	408
Bad Debts	(4)	-	(4)	-
	3,303	2,527	3,303	2,527

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

4. GAINS AND LOSSES RECOGNISED IN THE OPERATING RESULT

(a) Gain/(Loss) on Disposal of Property Plant and Equipment

	Consolidated Entity		Authority	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Net Proceeds from Disposal	41,267	-	41,267	-
Written Down Value	(24,508)	(126)	(24,508)	(126)
Net Gain/(Loss) on Disposal	16,759	(126)	16,759	(126)

(b) Net Gain/(Loss) on Revaluation of Property, Plant and Equipment

	Consolidated Entity		Authority	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Net Decrement on Revaluation (Note 7(b))	(12,601)	-	(12,601)	-
Net Gain/(Loss) on Revaluation	(12,601)	-	(12,601)	-

(c) Net Gain/(Loss) on Revaluation of Investment Property

	Consolidated Entity		Authority	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Increment on Revaluation (Note 8)	8,125	-	8,125	-
Decrement on Revaluation (Note 8)	(303)	-	(303)	-
Net Gain/(Loss) on Revaluation	7,822	-	7,822	-

State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2008

5. CASH AND CASH EQUIVALENTS

(a) Reconciliation of Cash and Cash Equivalents

	Consolidated Entity		Authority	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Cash at Bank	115,612	115,531	115,612	115,531
Restricted Cash - which remains part of cash and cash equivalents in the balance sheet (i)	5,016	4,694	5,016	4,694
	<u>120,628</u>	<u>120,225</u>	<u>120,628</u>	<u>120,225</u>
Represented in the Balance Sheet as:	-	-	-	-
Current Assets - Cash and Other Cash Equivalents	120,628	120,225	120,628	120,225

- (i) Included in the cash balance is \$95.269 million (\$113.051m in 2006-07) set aside for remediation on land acquired by the Crown from BHP Billiton in 2002. Out of this amount \$5.016 million (\$4.694m in 2006-07) including interest, is held "on trust" on behalf of the Newcastle Council and the University of Newcastle in relation to the funding proposal for the implementation of the Revised Heritage Interpretation Strategy (refer Note 11).

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

(b) Reconciliation of Net Cash Provided by Operating Activities to Operating Result

	Consolidated Entity		Authority	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Net Surplus for the Period	132,543	3,511	132,543	3,511
Non Cash Expenses/(Revenues):				
Emerging Asset Increment (Note 2(e))	(1,850)	-	(1,850)	-
Depreciation and Amortisation (Note 3(e))	14,265	55	14,265	55
Loss/(Gain) on Disposal of Non-Current Assets (Note 4(a))	(16,759)	126	(16,759)	126
Other Losses/(Gains) on Revaluation of Non-Current Assets (Notes 4(b) and 4(c))	4,779	-	4,779	-
Changes in Operating Assets and Liabilities:				
Decrease/(Increase) in Receivables	3,797	321	3,797	321
Increase/(Decrease) in Payables	(10,631)	1,374	(10,631)	1,374
Increase/(Decrease) in Provisions	(32,276)	(8,282)	(32,276)	(8,282)
Increase/(Decrease) in Other Operating Liabilities	(3,172)	-	(3,172)	-
Net Cash Flow From Operating Activities	90,696	(2,895)	90,696	(2,895)

6. RECEIVABLES

	Consolidated Entity		Authority	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Current				
Trade Receivables:				
Property Rental	4,184	-	4,184	-
Fees for Services Rendered	2,018	1,308	2,018	1,308
Less: Impairment Allowance	(415)	(48)	(415)	(48)
	<u>5,787</u>	<u>1,260</u>	<u>5,787</u>	<u>1,260</u>
Other Receivables:				
Work in Progress - Fees for Services	896	3,736	896	3,736
Long Service Leave Reimbursable from the Crown Entity	2,304	2,309	-	-
Goods and Services Tax Recoverable	2,027	158	2,027	158
Makegood Cost Recoverable (Note 13(e))	2,408	-	2,408	-
Other	5,359	3,611	5,359	3,611
Total Current Receivables	18,781	11,074	16,477	8,765

State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2008

	Consolidated Entity		Authority	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Non-Current				
Prepaid Superannuation (Note 12)	110	270	-	-
Makegood Cost Recoverable (Note 13(e))	15,179	-	15,179	-
Total Non-Current Receivables	15,289	270	15,179	-

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

Movement in Impairment Allowance

Balance at the Beginning of Period	48	-	48	-
Transfer from Crown Property Portfolio (Note 16(b))	152	-	152	-
Amount Written Off to Allowance	(176)	-	(176)	-
(Increase)/Decrease in Allowance	391	48	391	48
Balance at the End of Period	415	48	415	48

7. PROPERTY, PLANT AND EQUIPMENT

(a) Carrying Amount at 30 June:

Land and Buildings

At Cost or Fair Value	549,227	-	549,227	-
Carrying Amount at 30 June	549,227	-	549,227	-

Vacant Land

At Cost or Fair Value	386,939	187,830	386,939	187,830
Carrying Amount at 30 June	386,939	187,830	386,939	187,830

Plant and Equipment

At Cost or Fair Value	2,544	317	2,544	317
Less Accumulated Depreciation and Impairment	(418)	(199)	(418)	(199)
Carrying Amount at 30 June	2,126	118	2,126	118

Finance Lease Assets

At Fair Value	92,633	-	92,633	-
Carrying Amount at 30 June	92,633	-	92,633	-

Emerging Asset

At Fair Value	9,400	-	9,400	-
Carrying Amount at 30 June	9,400	-	9,400	-

Works in Progress

	44,884	-	44,884	-
Total Property, Plant and Equipment at 30 June	1,085,209	187,948	1,085,209	187,948

Total at Cost or Fair Value	1,085,627	188,147	1,085,627	188,147
Total Accumulated Depreciation and Amortisation	(418)	(199)	(418)	(199)
Total Property, Plant and Equipment at 30 June	1,085,209	187,948	1,085,209	187,948

State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2008

(b) Reconciliation of Opening and Closing Carrying Amounts

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

	Consolidated Entity		Authority	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Land and Buildings				
Carrying Amount at 1 July	-	-	-	-
Transfer from Crown Property Portfolio (Note 16(b))	396,023	-	396,023	-
Additions	5,561	-	5,561	-
Transfer from Works in Progress	134,160	-	134,160	-
Transfers from other Government Agencies (Note 15(a))	4,800	-	4,800	-
Net Revaluation Increment (Note 15(b))	16,952	-	16,952	-
Depreciation Expense	(8,269)	-	(8,269)	-
Carrying Amount at 30 June	549,227	-	549,227	-
Vacant Land				
Carrying Amount at 1 July	187,830	-	187,830	-
Transfer from Crown Property Portfolio (Note 16(b))	58,892	137,700	58,892	137,700
Disposals	(758)	(1,980)	(758)	(1,980)
Transfers to other Government Agencies (Note 15(a))	(600)	-	(600)	-
Net Revaluation Decrement Recognised in the Income Statement (Note 4(b))	(900)	-	(900)	-
Net Revaluation Increment (Note 15(b))	142,475	52,110	142,475	52,110
Carrying Amount at 30 June	386,939	187,830	386,939	187,830
Plant and Equipment				
Carrying Amount at 1 July	118	-	118	-
Transfer from Crown Property Portfolio (Note 16(b))	20	-	20	-
Transfer from Department of Commerce (Note 16(a))	-	102	-	102
Additions	2,292	68	2,292	68
Net Disposals	(6)	-	(6)	-
Depreciation Expense	(298)	(52)	(298)	(52)
Carrying Amount at 30 June	2,126	118	2,126	118
Finance Lease Assets				
Carrying Amount at 1 July	-	-	-	-
Transfer from Crown Property Portfolio (Note 16(b))	93,334	-	93,334	-
Net Revaluation Increment (Note 15(b))	4,979	-	4,979	-
Amortisation Expense	(5,680)	-	(5,680)	-
Carrying Amount at 30 June	92,633	-	92,633	-
Emerging Assets				
Carrying Amount at 1 July	-	-	-	-
Transfer from Crown Property Portfolio (Note 16(b))	10,308	-	10,308	-
Net Revaluation Decrement Recognised in the Income Statement (Note 4(b) and 8(b)(ii))	(2,758)	-	(2,758)	-
Emerging Asset Increment (Note 2 (e))	1,850	-	1,850	-
Carrying Amount at 30 June	9,400	-	9,400	-

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2008

	Consolidated Entity		Authority	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Works in Progress - Land and Buildings				
Opening Balance at 1 July	-	-	-	-
Transfer from Crown Property Portfolio (Note 16(b))	138,336	-	138,336	-
Additions	66,603	-	66,603	-
Transfer to Land and Buildings	(134,160)	-	(134,160)	-
Net Revaluation Decrement Recognised in the Income Statement (Note 4(b))	(8,943)	-	(8,943)	-
Net Revaluation Decrement (Note 15(b))	(16,952)	-	(16,952)	-
Closing Balance at 30 June	44,884	-	44,884	-
Total Property, Plant and Equipment at 30 June	1,085,209	187,948	1,085,209	187,948

(i) Valuation of Land and Buildings

All land and buildings classified as Property Plant and Equipment were independently valued as at 30 June 2008.

In accordance with NSW Treasury Guidelines for Valuation of Physical Non-Current Assets at Fair Value and Australian Accounting Standards, valuation firms were engaged to determine whether or not there was any indication that the advised carrying amount as at 30 June 2008 differed materially from the current fair value. Independent qualified valuers, Savills and Landmark White, prepared a statement of value for each property as at 30 June 2008 and concluded, for the majority of properties, that if they were to be revalued there would be no material increase or decrease to the carrying amount. The valuers arrived at this conclusion after taking into consideration the following:

- Carrying amount of the asset compared to the 1 January 2006 valuation;
- Changes to market and economic conditions that have occurred since the 1 January 2006 valuation; and
- Changes to forecasts that were contained in the 1 January 2006 valuation.

Where the valuer deemed a material variation to the advised carrying amount had occurred, the valuer provided a revised fair value for the asset as at 30 June 2008. Given the changes that have occurred in the Sydney CBD office market over the past two years, the following assets were consequently re-valued and a revised fair value provided:

- McKell Building, 2-24 Rawson Place, Sydney.
- Chief Secretary's Building, 121 Macquarie Street, Sydney.
- Bligh House, 4-6 Bligh Street, Sydney.
- Education Building, 35-39 Bridge Street, Sydney.

The changes in value were a function of falling yields and current passing rents in the Sydney CBD.

New Constructions

Construction of the Parramatta Justice Office Building was completed in December 2007 at a total cost of \$126.848 million. The Authority subsequently engaged independent qualified valuers, CB Richard Ellis, to provide a fair market value assessment of the new asset as at 30 June 2008. The fair value was determined at \$85.500 million resulting in a decrement to the carrying amount (ie. original cost less depreciation of \$1.545 million) of \$39.803 million.

The valuation was based on a ten year head lease at market rent with an appropriate rent review structure. This valuation method, with lease terms varying from property to property, is used across the Authority's portfolio.

The total construction and development cost of the Justice Office Building includes construction costs, project management costs, archeological and heritage costs, builders profit and other development costs. It is not uncommon for total construction costs to exceed fair market value on completion of a building in certain markets. The main purpose of the building is to satisfy service delivery needs of Government and is not for commercial investment. The building is part of the Parramatta Justice Precinct.

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2008

(ii) Valuation of Vacant Land

In June 2008, the Authority engaged independent valuation firm, Knight Frank, to value the former BHP main steel works site, Kooragang Islands Waste Emplacement site and various other parcels of land in the Newcastle area as at 30 June 2008. The valuations took into consideration changes to market and economic conditions that have occurred since 30 June 2007 as well as the previous full speaking valuation reports.

The following assets were re-valued as they were deemed to have significantly differed from the advised carrying amount:

- Port Waratah Coal Services site;
- Kooragang Islands Waste Emplacement Facility; and
- the former BHP Steel site.

With regard to the Port Waratah Coal Services site, the valuer adopted the income capitalisation approach in determining the current market value. A formal lease has now been entered into at a higher rental than the previous lease resulting in a significant uplift in value.

The revised fair value of both the Kooragang Islands Waste Emplacement site and the former BHP Steel site reflects the land remediation expenditure undertaken to date, the present value of the liability to remediate the land, as well as the increase in land values that have occurred in the area.

(iii) Works in Progress - Land and Buildings

Expenditure capitalised during the year and recorded under works in progress comprised of \$22.050 million on the construction of the Queanbeyan Government Service Centre (Nil in 2006-07), \$19.750 million on the construction of the Penrith Government Office Building (Nil in 2006-07), and \$23.160 million on the completion of the Parramatta Justice Office Building (Nil in 2006-07). Other minor works expenditure capitalised during the year and recorded under works in progress as at 30 June 2008 relates to refurbishment works in various office buildings totalling \$1.643 million (Nil in 2006-07).

On completion of the construction and purchase of property within the Parramatta Justice Precinct in December 2007, a total of \$134.160 million was transferred to Land and Buildings. This amount comprised of \$126.848 million for the construction of the Justice Office Building and \$7.312 million for the purchase of the former Australian Red Cross Blood Services Building and associated land. Work on the construction of the Queanbeyan Government Service Centre and the Penrith Government Office Building remained in progress as at 30 June 2008.

To determine whether or not the total capitalised expenditure on major construction projects in progress at 30 June 2008 represented a value higher than fair value, the Authority engaged qualified valuers, CB Richard Ellis and Knight Frank, to provide independent assessments of the estimated future fair value of the Queanbeyan and Penrith Office buildings following their projected completion in July and December 2008 respectively. The valuations were based on a ten year head lease at market rent with an appropriate rent review structure and took into consideration comparable market evidence and the passing income for each of the properties.

The future fair value assessments returned by the valuers were significantly lower than the capitalised expenditure amounts recorded against these buildings as at 30 June 2008. As a result, the total capitalised expenditure in respect of the Queanbeyan and Penrith constructions was reduced to the fair value amount pro-rated by the percentage of construction completion at 30 June 2008. The resulting valuation decrement of \$25.895 million was first offset against any land and building asset class balances contained within the Asset Revaluation Reserve. The remainder of the decrement was recognised in the Income Statement under Loss on Revaluation of Property, Plant and Equipment.

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2008

(iv) Disposals

The following properties were disposed of during 2007-08:

- 6A Huntley Street, Alexandria
- Lot 72 in an Unregistered Plan which is part of Lot 7 in Deposited Plan 101574, Kooragang Island
- 14-16 River Street, Macksville

(v) Finance Lease Assets

The finance lease assets as at 30 June 2008 relate to Noel Park House, Marius Street, Tamworth and a part of the Colonial State Bank building at 50 Martin Place, Sydney. Noel Park House is being amortised over the life of the lease and the Colonial State Bank building is being amortised over the estimated economic life of the building (Note 18(d)).

(vi) Heritage Assets

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

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

8. INVESTMENT PROPERTY

(a) Carrying Amount at 30 June:

	Consolidated Entity		Authority	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Investment Land at Fair Value	23,495	-	23,495	-
Investment Buildings at Fair Value	45	-	45	-
Carrying Amount at 30 June	23,540	-	23,540	-

(b) Reconciliation of Opening and Closing Carrying Amounts

Carrying Amount at 1 July	-	-	-	-
Transfer from Crown Property Portfolio (Note 16(b))	15,718	-	15,718	-
Fair Value Increment on Revaluation	8,125	-	8,125	-
Fair Value Decrement on Revaluation	(303)	-	(303)	-
Carrying Amount at 30 June	23,540	-	23,540	-

For the Year Ended 30 June 2008

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

All investment properties were independently revalued on 30 June 2008. Independent qualified valuers, Landmark White and Knight Frank, who have recent experience in comparable markets and category of the investment properties being valued, were engaged to perform the revaluation.

- Carrying amount of the asset compared to the 1 January 2006 valuation;
- Changes to market and economic conditions that have occurred since the 1 January 2006 valuation; and
- Changes to forecasts that were contained in the 1 January 2006 valuation.

Any change in the current property investment climate could materially affect the value of these properties for the next reporting period.

The Sydney Opera House Car Park was leased to a private consortium on a 50 year ground lease, which commenced on 13 March 1993. The lessee has constructed, at its own expense, a subterranean car park with a design life of 50 years. At the expiration of the lease term the Government has the right to receive the car park. Rental income from the lease of \$1.444 million (\$Nil in 2006-07) is reflected in the Income Statement.

Independent qualified valuer, Knight Frank, was engaged to provide a fair value valuation of the lessor's interest in the freehold property subject to existing lease as prescribed under Treasury Accounting Policy TPP 06-8 "Accounting for Privately Financed Projects" as at 30 June 2008.

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

(a) Carrying Amount at 30 June:

ASSETS HELD FOR SALE	Consolidated Entity		Authority	
	2008	2007	2008	2007
Carrying Amount at 30 June:	\$'000	\$'000	\$'000	\$'000
Land and Buildings				
At Fair Value	-	-	-	-
Carrying Amount at 30 June	-	-	-	-

Carrying Amount at 1 July	-	-	-	-
Transfer from Crown Property Portfolio (Note 16(b))	23,750	-	23,750	-
Disposals	(23,750)	-	(23,750)	-
Carrying Amount at 30 June	-	-	-	-

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2008

10. INTANGIBLES

(a) Carrying Amount at 30 June:

Computer Software

Gross Carrying Amount

Less Accumulated Amortisation and Impairment

Carrying Amount at 30 June

Consolidated Entity		Authority	
2008	2007	2008	2007
\$'000	\$'000	\$'000	\$'000
292	63	292	63
(41)	(23)	(41)	(23)
251	40	251	40

(b) Reconciliation of Opening and Closing Carrying Amounts

Carrying Amount at 1 July

Transfer from Department of Commerce (Note 16(a))

Additions/Acquisitions

Disposals

Amortisation Expense

Carrying Amount at 30 June

40	-	40	-
-	6	-	6
229	37	229	37
-	-	-	-
(18)	(3)	(18)	(3)
251	40	251	40

11. PAYABLES

Current

Trade Creditors

Sundry Creditors and Accruals

Land Remediation Expense Accrual

Goods and Services Tax Payable

Monies Held "On Trust" (i)

Payable to Crown Finance Entity

Payable to Subsidiary:

Accrued Salaries, Wages and On-Costs

Personnel Services

Total Current Payables

Consolidated Entity		Authority	
2008	2007	2008	2007
\$'000	\$'000	\$'000	\$'000
-	135	-	135
11,236	8,131	11,236	8,131
740	4,507	740	4,507
1,843	580	1,843	580
5,016	4,694	5,016	4,694
27	1,854	27	1,854
146	441	146	441
-	-	1,007	940
19,008	20,342	20,015	21,282

Non-Current

Payable to Subsidiary:

Personnel Services

Total Non-Current Payables

-	-	1,364	179
-	-	1,364	179

(i) Monies Held "On Trust"

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

The monies will be distributed to Newcastle Council and the University of Newcastle in 2008-09 to perform heritage interpretation and display obligations in relation to the former BHP steel work sites and for those parties to accept transfer of heritage properties being subdivided from the land at Newcastle.

State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2008

12. SUPERANNUATION

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

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

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

All the schemes are closed to new members.

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

Superannuation Position

Member Numbers	SASS No.	SANCS No.	SSS No.	
As at 30 June 2008				
Contributors	4	20	16	
Deferred Benefits	-	-	-	
Pensioners	-	-	-	
Pensions Fully Commuted	-	-	-	
Superannuation Position for AASB 119 Purposes	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
As at 30 June 2008				
Accrued Liability	(1,125)	(803)	(11,512)	(13,440)
Estimated Reserve Account Balance	1,078	913	10,085	12,076
	(47)	110	(1,427)	(1,364)
Future Service Liability *	(329)	(301)	(881)	(1,511)
Surplus in Excess of Recovery Available from Schemes	-	-	-	-
Asset/(Liability) Recognised in the Balance Sheet	(47)	110	(1,427)	(1,364)
Member Numbers	SASS No.	SANCS No.	SSS No.	
As at 30 June 2007				
Contributors	4	22	18	
Deferred Benefits	-	-	-	
Pensioners	-	-	-	
Pensions Fully Commuted	-	-	-	

State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2008

Superannuation Position for AASB 119 Purposes	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
As at 30 June 2007				
Accrued Liability	(1,174)	(796)	(10,246)	(12,216)
Estimated Reserve Account Balance	1,272	968	9,797	12,037
	98	172	(449)	(179)
Future Service Liability *	(317)	(301)	(891)	(1,509)
Surplus in Excess of Recovery Available from Schemes	-	-	-	-
Asset/(Liability) Recognised in the Balance Sheet	98	172	(449)	(179)

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

Reconciliation of the Present Value of the Defined Benefit Obligation

For the Year Ended 30 June 2008	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Present Value of Partly Funded Defined Benefit Obligations at Beginning of the Period	(1,174)	(796)	(10,246)	(12,216)
Current Service Cost	(43)	(43)	(125)	(211)
Interest Cost	(74)	(49)	(653)	(776)
Contributions by Fund Participants	(18)	-	(182)	(200)
Actuarial Gains/(Losses)	39	7	637	683
Benefits Paid	145	78	(943)	(720)
Past Service Cost	-	-	-	-
Curtailments	-	-	-	-
Settlements	-	-	-	-
Business Combinations	-	-	-	-
Exchange Rate Changes	-	-	-	-
Present Value of Partly Funded Defined Benefit Obligations at End of the Period	(1,125)	(803)	(11,512)	(13,440)

State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2008

For the Ten Months Ended 30 June 2007	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Present Value of Partly Funded Defined Benefit Obligations at Beginning of the Period	(788)	(661)	(9,589)	(11,038)
Current Service Cost	(27)	(30)	(137)	(194)
Interest Cost	(38)	(31)	(463)	(532)
Contributions by Fund Participants	(13)	-	(133)	(146)
Actuarial Gains/(Losses)	(118)	61	99	42
Benefits Paid	(190)	(135)	(23)	(348)
Past Service Cost	-	-	-	-
Curtailments	-	-	-	-
Settlements	-	-	-	-
Business Combinations	-	-	-	-
Exchange Rate Changes	-	-	-	-
Present Value of Partly Funded Defined Benefit Obligations at End of the Period	(1,174)	(796)	(10,246)	(12,216)
<u>Reconciliation of the Fair Value of Fund Assets</u>				
For the Year Ended 30 June 2008	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Fair Value of Fund Assets at Beginning of the Period	1,272	968	9,797	12,037
Expected Return on Fund Assets	96	74	748	918
Actuarial Gains/(Losses)	(213)	(132)	(1,952)	(2,297)
Employer Contributions	50	81	366	497
Contributions by Fund Participants	18	-	182	200
Benefits Paid	(145)	(78)	944	721
Settlements	-	-	-	-
Business Combinations	-	-	-	-
Exchange Rate Changes	-	-	-	-
Fair Value of Fund Assets at End of the Period	1,078	913	10,085	12,076
For the Ten Months Ended 30 June 2007	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Fair Value of Fund Assets at Beginning of the Period	792	741	7,906	9,439
Expected Return on Fund Assets	49	45	500	594
Actuarial Gains/(Losses)	203	46	1,235	1,484
Employer Contributions	25	1	-	26
Contributions by Fund Participants	13	-	133	146
Benefits Paid	190	135	23	348
Settlements	-	-	-	-
Business Combinations	-	-	-	-
Exchange Rate Changes	-	-	-	-
Fair Value of Fund Assets at End of the Period	1,272	968	9,797	12,037

State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2008

Reconciliation of the Assets and Liabilities Recognised in the Balance Sheet

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
For the Year Ended 30 June 2008				
Present Value of Partly Funded Defined Benefit Obligations at End of the Period	(1,125)	(803)	(11,512)	(13,440)
Fair Value of Fund Assets at End of the Period	1,078	913	10,085	12,076
Subtotal	(47)	110	(1,427)	(1,364)
Unrecognised Past Service Cost	-	-	-	-
Unrecognised Gain/(Loss)	-	-	-	-
Adjustment for Limitation on Net Asset	-	-	-	-
Net Asset/(Liability) Recognised in Balance Sheet at End of the Period	(47)	110	(1,427)	(1,364)
For the Ten Months Ended 30 June 2007				
Present Value of Partly Funded Defined Benefit Obligations at End of the Period	(1,174)	(796)	(10,246)	(12,216)
Fair Value of Fund Assets at End of the Period	1,272	968	9,797	12,037
Subtotal	98	172	(449)	(179)
Unrecognised Past Service Cost	-	-	-	-
Unrecognised Gain/(Loss)	-	-	-	-
Adjustment for Limitation on Net Asset	-	-	-	-
Net Asset/(Liability) Recognised in Balance Sheet at End of the Period	98	172	(449)	(179)

Expense Recognised in the Income Statement

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
For the Year Ended 30 June 2008				
Current Service Cost	(43)	(43)	(125)	(211)
Interest Cost	(74)	(49)	(653)	(776)
Expected Return on Fund Assets (Net of Expenses)	96	74	748	918
Actuarial Gains/(Losses) Recognised in Year	(174)	(125)	(1,315)	(1,614)
Past Service Cost	-	-	-	-
Movement in Adjustment for Limitation on Net Asset	-	-	-	-
Curtailment or Settlement Gain/(Loss)	-	-	-	-
Income/(Expense) Recognised	(195)	(143)	(1,345)	(1,683)
For the Ten Months Ended 30 June 2007				
Current Service Cost	(27)	(30)	(137)	(194)
Interest Cost	(38)	(31)	(463)	(532)
Expected Return on Fund Assets (Net of Expenses)	49	45	500	594
Actuarial Gains/(Losses) Recognised in Year	85	107	1,334	1,526
Past Service Cost	-	-	-	-
Movement in Adjustment for Limitation on Net Asset	-	-	-	-
Curtailment or Settlement Gain/(Loss)	-	-	-	-
Income/(Expense) Recognised	69	91	1,234	1,394

State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2008

Fund Assets

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

As at 30 June:	2008 %pa	2007 %pa
Australian Equities	31.6	33.6
Overseas Equities	25.4	26.5
Australian Fixed Interest Securities	7.4	6.8
Overseas Fixed Interest Securities	7.5	6.4
Property	11.0	10.1
Cash	6.1	9.8
Other	11.0	6.8

Fair Value of Fund Assets

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

Expected Rate of Return on Assets

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

Actual Return on Fund Assets

For the Year Ended 30 June 2008	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Actual Return on Fund Assets	(86)	(58)	(769)	(913)
For the Ten Months Ended 30 June 2007	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Actual Return on Fund Assets	114	91	977	1,182

Valuation Method and Principal Actuarial Assumptions at Balance Date

(a) Valuation Method

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

(b) Economic Assumptions

As at 30 June:	2008 %pa	2007 %pa
Salary Increase Rate (Excluding Promotional Increases)	3.5	4.0
Rate of CPI Increase	2.5	2.5
Expected Return on Assets Backing Current Pension Liabilities	8.3	7.6
Expected Return on Assets Backing Other Liabilities	7.3	7.6
Discount Rate	6.6	6.4

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2008

(c) Demographic Assumptions

The demographic assumptions at 30 June 2008 are equivalent to those used in the 2006 triennial actuarial valuation. The most financially significant include assumptions on:

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

Historical Information

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

For the Ten Months Ended 30 June 2007	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Present value of Defined Benefit Obligation	(1,174)	(796)	(10,246)	(12,216)
Fair Value of Fund Assets	1,272	968	9,797	12,037
Surplus/(Deficit) in Fund	98	172	(449)	(179)
Experience Adjustments - Fund Liabilities	(118)	61	99	42
Experience Adjustments - Fund Assets	203	46	1,235	1,484

Expected Employer Contributions

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

For 2007-08	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Expected Employer Contributions	43	50	301	394

State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2008

Funding Arrangements for Employer Contributions

(a) Surplus/(Deficit)

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

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

As at 30 June 2007	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Accrued Benefits	(1,163)	(789)	(9,405)	(11,357)
Net Market Value of Fund Assets	1,272	968	9,797	12,037
Net Surplus/(Deficit)	109	179	392	680

(b) Contribution Recommendations

Recommended contribution rates for the Authority are:

Fund	Contribution Basis	2008 Rate	2007 Rate
SSS	Multiple of Member Contributions	1.6	1.6
SANCS	Percentage of Member Salary	2.5	2.5
SASS	Multiple of Member Contributions	1.9	1.9

(c) Funding Method

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

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

(d) Economic Assumptions

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

Weighted Average Assumptions	2008 %pa	2007 %pa
Expected Return on Fund Assets Backing Current Pension Liabilities	7.7	7.7
Expected Return on Fund Assets Backing Other Liabilities	7.0	7.0
Expected Rate of Salary Increase	4.0	4.0
Expected Rate of CPI Increase	2.5	2.5

Nature of Asset/Liability

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

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

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2008

13. PROVISIONS

	Consolidated Entity		Authority	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Current				
Annual Leave (a)	790	723	-	-
Long Service Leave (b)	2,521	2,526	-	-
Land Remediation (d)	1,137	37,347	1,137	37,347
Makegood Restoration (e)	2,408	-	2,408	-
Total Current Provisions	6,856	40,596	3,545	37,347

Non-Current

Superannuation (Note 12)	1,474	449	-	-
Land Remediation (d)	82,765	76,133	82,765	76,133
Makegood Restoration (e)	15,179	-	15,179	-
Total Non-Current Provisions	99,418	76,582	97,944	76,133

(a) Annual Leave

	Consolidated Entity		Authority	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
An estimated dissection of the short and long term liability is:				
Short Term - expected to be settled within 12 months	459	418	-	-
Long Term - not expected to be settled within 12 months	331	305	-	-
Total Provision for Annual Leave	790	723	-	-

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

(b) Long Service Leave

	Consolidated Entity		Authority	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
An estimated dissection of the short and long term liability is:				
Short Term - expected to be settled within 12 months	252	253	-	-
Long Term - not expected to be settled within 12 months	2,269	2,273	-	-
Total Provision for Long Service Leave	2,521	2,526	-	-

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

(c) Aggregate Employee Benefits and Related Costs

	Consolidated Entity		Authority	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Provisions - Current	3,311	3,249	-	-
Provisions - Non-Current	1,474	449	-	-
Accrued Salaries, Wages and On-Costs (Note 11)	146	441	146	441
Aggregate Employee Benefits and Related Costs	4,931	4,139	146	441

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

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2008

(d) Land Remediation

	Consolidated Entity		Authority	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Carrying Amount Transferred at 1 February 2007	-	121,434	-	121,434
Carrying Amount at 1 July	113,480	-	113,480	-
Decrease in Provision from Payments	(21,173)	(7,954)	(21,173)	(7,954)
Increase in Provision from Receipts	2	-	2	-
Decrease in Provision from Revised Present Value of Liability	(8,407)	-	(8,407)	-
Carrying Amount at 30 June	83,902	113,480	83,902	113,480
Current Liability	1,137	37,347	1,137	37,347
Non-Current Liability	82,765	76,133	82,765	76,133
Total Liability at 30 June	83,902	113,480	83,902	113,480

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

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

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

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

On 1 February 2008, the Hunter Development Corporation (HDC) took over the Government's responsibility for the management of the required remediation works from the former Regional Land Management Corporation. In May 2008, the HDC provided the Authority with a revised present value estimate of the remaining remediation works. The revised estimate resulted in a partial reversal, or reduction, in the Land Remediation Provision of \$8.407 million which has been credited in the Income Statement against Finance Costs (Note 3(d)).

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

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2008

(e) Makegood Restoration

	Consolidated Entity		Authority	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Carrying Amount at 1 July	-	-	-	-
Transfer from Crown Property Portfolio (Note 16(b))	18,444	-	18,444	-
Reduction in Provision from Revised Present Value	(624)	-	(624)	-
Reduction in Provision from Payments	(233)	-	(233)	-
Carrying Amount at 30 June	17,587	-	17,587	-
Current Liability	2,408	-	2,408	-
Non-Current Liability	15,179	-	15,179	-
Total Liability at 30 June	17,587	-	17,587	-

The makegood restoration liability is calculated on all leased properties, where the Authority is the lessee and reflects an estimate of the cost to makegood the premises to their original condition at the end of the lease term. The makegood costs are recoverable in full from the sub-lessees. A discount rate of 6.45% was used and the level of the provision is reviewed at the end of each year and an adjustment made to Receivables.

14. DEFERRED INCOME

	Consolidated Entity		Authority	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Current				
Lease Incentives from Lessors (a)	1,408	-	1,408	-
Prepaid Long-Term Leases (b)	1,764	-	1,764	-
Total Current Liability at 30 June	3,172	-	3,172	-
Non-Current				
Lease Incentives from Lessors (a)	5,600	-	5,600	-
Prepaid Long-Term Leases (b)	163,392	-	163,392	-
Total Non-Current Liability at 30 June	168,992	-	168,992	-

(a) Lease Incentives from Lessors

	Consolidated Entity		Authority	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Lease Rent Free Incentives Received (i)	-	-	-	-
Transferred from Crown Property Portfolio (Note 16(b))	8,416	-	8,416	-
Less Current Year Amortisation	(1,408)	-	(1,408)	-
Carrying Amount at 30 June	7,008	-	7,008	-
Current Liability	1,408	-	1,408	-
Non-Current Liability	5,600	-	5,600	-
Total Liability at 30 June	7,008	-	7,008	-

- (i) The former Crown Property Portfolio received lease rent free incentives of \$5.150 million on a 6-year lease for Macquarie Tower, Parramatta in July 2006 and \$4.400 million on an 8-year lease for Governor Macquarie Tower, Sydney in January 2007. The unamortised balance of the lease incentives as at 30 June 2007 was transferred to the Authority from the Crown Property Portfolio on 1 July 2007 (Note 16(b)). The lease incentives are recognised as a reduction of Head Lease Expenses over the term of the leases (Note 3(a)).

State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2008

(b) Prepaid Long-Term Leases	Consolidated Entity		Authority	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Prepaid Rental Payment Received Upfront (i)	-	-	-	-
Transferred from Crown Property Portfolio (Note 16(b))	166,920	-	166,920	-
Less Current Year Amortisation	(1,764)	-	(1,764)	-
Carrying Amount at 30 June	165,156	-	165,156	-
Current Liability	1,764	-	1,764	-
Non-Current Liability	163,392	-	163,392	-
Total Liability at 30 June	165,156	-	165,156	-

- (i) The former Crown Property Portfolio, as lessor, received a total of \$185.791 million in upfront prepaid rentals on long-term operating leases of more than 50 years for the Goodsell Building, Colonial State Bank Centre, Aurora Place, Sir Stamford Hotel, Wentworth Chambers and Agar Steps Terraces. The unamortised balance of the prepaid rents as at 30 June 2007 was transferred to the Authority from the Crown Property Portfolio on 1 July 2007 (Note 16(b)). The Authority recognises the balance of prepaid rentals as income on a straight line basis over the lease terms.

15. CHANGES IN EQUITY

(a) Retained Earnings	Consolidated Entity		Authority	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Balance at Beginning of Year	129,927	-	129,927	-
Financial Distributions (i)	(73,755)	(1,854)	(73,755)	(1,854)
Transfer of Net Assets from the Department of Commerce (Note 16(a))	-	(557)	-	(557)
Transfer of Net Assets from the Crown Property Portfolio (Note 16(b))	519,208	128,827	519,208	128,827
Transfer of Property, Plant and Equipment to other Government Agencies (Note 7(b))	(600)	-	(600)	-
Transfer of Property, Plant and Equipment from other Government Agencies (Note 7(b))	4,800	-	4,800	-
Net Transfers from Asset Revaluation Reserve on Disposal of Property, Plant and Equipment	197	-	197	-
Net Surplus for the Period	132,543	3,511	132,543	3,511
Total Retained Earnings	712,320	129,927	712,320	129,927

- (i) Financial Distributions Comprise:

Normal Distributions from Surplus on Rental Operations Paid to the State Government (Note 1(u))	(32,488)	-	(32,488)	-
Capital Repatriations from the Net Proceeds of Asset Sales Paid to the State Government (Note 1(u))	(41,267)	(1,854)	(41,267)	(1,854)
	(73,755)	(1,854)	(73,755)	(1,854)

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2008

(b) Asset Revaluation Reserve

	Consolidated Entity		Authority	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Balance at Beginning of Period	52,110	-	52,110	-
Net Increment on Revaluation (Note 7(b))	147,454	52,110	147,454	52,110
Net Transfers to Retained Earnings on Disposal of Property, Plant and Equipment	(197)	-	(197)	-
Total Asset Revaluation Reserve	199,367	52,110	199,367	52,110

The Total Asset Revaluation Reserve is attributable to the following classes of non-current assets:

Vacant Land	194,388	52,110	194,388	52,110
Finance Leased Assets	4,979	-	4,979	-
Total Asset Revaluation Reserve	199,367	52,110	199,367	52,110

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

16. INCREASE/DECREASE IN NET ASSETS FROM EQUITY TRANSFERS

(a) Transfer from the Department of Commerce

A number of activities formerly conducted by the State Property Group within the Department of Commerce were transferred to the State Property Authority with effect from 1 September 2006, following the enactment of the *State Property Authority Act 2006*. Net assets acquired from this transfer, and the resulting impact on equity, is shown under the 2007 comparatives column in the table below.

	Consolidated Entity		Authority	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Cash	-	594	-	594
Receivables	-	7,849	-	7,849
Plant and Equipment	-	102	-	102
Intangibles	-	6	-	6
Total Assets	-	8,551	-	8,551
Payables	-	4,783	-	4,783
Provisions	-	4,325	-	4,325
Total Liabilities	-	9,108	-	9,108
Increase/(Decrease) in Net Assets	-	(557)	-	(557)

State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2008

(b) Transfer from the Crown Property Portfolio

On 1 February 2007, the former BHP main steel works site, Kooragang Islands waste emplacement site and other parcels of land in the Newcastle area were transferred from the Crown Property Portfolio and vested in the State Property Authority. The cash to fund the remediation work required, together with the provision for the estimated cost of remediation works remaining along with other related assets or liabilities were transferred at the same time. The net assets acquired from this transfer, and the resulting impact on equity, is shown under the 2007 comparatives column in the table below.

On 1 July 2007, the Crown Property Portfolio (CPP), formerly within the Crown Finance Entity, ceased to exist as a separate reporting entity. Under the provisions of the *State Property Authority Act 2006*, all the properties contained in the CPP were vested in the State Property Authority on that date. As a consequence, all assets, liabilities, revenues and expenses relating to the commercial activities of these properties are reflected in the financial report of the Authority. The net assets acquired from the 1 July 2007 transfer, and the resulting impact on equity, is shown under the 2008 column in the table below.

	Consolidated Entity		Authority	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Cash	20,386	120,777	20,386	120,777
Receivables	25,526	4,483	25,526	4,483
Non-Current Assets Held For Sale	23,750	-	23,750	-
Property Plant and Equipment	696,913	137,700	696,913	137,700
Investment Property	15,718	-	15,718	-
Total Assets	782,293	262,960	782,293	262,960
Payables	9,072	12,699	9,072	12,699
Finance Lease Liabilities	57,616	-	57,616	-
Provisions	18,444	121,434	18,444	121,434
Other Liabilities	177,953	-	177,953	-
Total Liabilities	263,085	134,133	263,085	134,133
Increase/(Decrease) in Net Assets	519,208	128,827	519,208	128,827

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2008

17. TRANSFERRED ACTIVITIES

Transfer of the Crown Property Portfolio

On 1 July 2007, the Crown Property Portfolio (CPP), formerly within the Crown Finance Entity, ceased to exist as a separate reporting entity. Under the provisions of the *State Property Authority Act 2006*, all the properties contained in the CPP were vested in the State Property Authority on that date. As a consequence, all assets, liabilities, revenues and expenses relating to the commercial activities of these properties are reflected in the 2007-08 financial report of the Authority.

In accordance with the financial reporting requirements specified in Treasury Policy and Guidelines Paper 08-3 "Contributions By Owners Made to Wholly-Owned Public Sector Entities", the following income statement summarises the revenues and expenses relating to the transferred activities of the CPP which have been recognised in the 2007-08 financial report of the Authority for the period 1 July 2007 to 30 June 2008. Comparative figures are also provided for the transferred activities which were recorded in the books of the CPP in 2006-07 for the period 1 July 2006 to 30 June 2007.

Transfer of the Crown Property Portfolio Comparative Income Statement	Authority 2008 \$'000	CPP 2007 \$'000
Revenue		
Property Rental Income	154,940	151,183
Grants and Contributions	73,601	96,843
Other Income	1,850	1,115
Total Revenue	230,391	249,141
Expenses		
Property Head Lease Expense	91,138	97,651
Other Property Related Expenses	18,214	23,124
Finance Costs	3,453	4,398
Depreciation and Amortisation	13,960	6,990
Other Operating Expenses	-	664
Total Expenses Excluding Losses	126,765	132,827
Gain/(Loss) on Disposal of Property Plant & Equipment	15,294	(76)
Net Gain/(Loss) on Revaluation of Property Plant and Equipment	(12,601)	-
Net Gain/(Loss) on Revaluation of Investment Property	7,822	-
Net Surplus for the Period	114,141	116,238

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2008

18. EXPENDITURE COMMITMENTS

(a) Capital Expenditure Commitments

Capital expenditure contracted at balance date but not provided for:

Payable within one year

Payable later than one year but not later than five years

Payable later than five years

Total Expenditure Commitments (Incl GST)

Consolidated Entity		Authority	
2008	2007	2008	2007
\$'000	\$'000	\$'000	\$'000
14,985	73	14,985	73
-	-	-	-
-	-	-	-
14,985	73	14,985	73

Capital expenditure commitments as at 30 June 2008 include GST recoverable input tax credits of \$1.362 million (\$6,650 at 30 June 2007) that are expected to be recoverable from the Australian Taxation Office. The GST recoverable is a contingent asset (Note 19). Total commitments relate to the constructions of new government office buildings in Queanbeyan - \$2.200 million (Nil at 30 June 2007), Penrith - \$11.000 million (Nil at 30 June 2007), and to refurbishment works in various other owned buildings totalling \$1.785 million (Nil at 30 June 2007).

(b) Future Minimum Lease Payments under Non-Cancellable Operating Leases as Lessee

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

Payable within one year

Payable later than one year but not later than five years

Payable later than five years

Total Expenditure Commitments (Incl GST)

Consolidated Entity		Authority	
2008	2007	2008	2007
\$'000	\$'000	\$'000	\$'000
75,115	-	75,115	-
209,119	-	209,119	-
22,432	-	22,432	-
306,666	-	306,666	-

All future minimum lease payments will be recouped by the Authority under sub-leases. Future minimum lease payments and receipts as at 30 June 2008 include GST recoverable input tax credits of \$27.879 million (Nil at 30 June 2007) and GST payable of \$27.879 million (Nil at 30 June 2007). The GST payable is a contingent liability and the GST recoverable is a contingent asset (Note 19).

(c) Other Operating Expenditure Commitments

Operating expenditure contracted at balance date but not provided for:

Payable within one year

Payable later than one year but not later than five years

Payable later than five years

Total Expenditure Commitments (Incl GST)

Consolidated Entity		Authority	
2008	2007	2008	2007
\$'000	\$'000	\$'000	\$'000
2,484	173	2,484	173
2,541	-	2,541	-
-	-	-	-
5,025	173	5,025	173

Operating expenditure commitments as at 30 June 2008 include GST recoverable input tax credits of \$0.457 million (\$15,706 at 30 June 2007) that are expected to be recoverable from the Australian Taxation Office. The GST recoverable is a contingent asset (Note 19). Total commitments at 30 June 2008 relate to outsourced property service provider costs to 30 June 2010 as per contract and motor vehicle costs until 15 April 2010 as per lease agreement.

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2008

(d) Finance Lease Liabilities	Consolidated Entity		Authority	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Current				
Minimum Lease Payments	6,004	-	6,004	-
Less Finance Costs	(4,015)	-	(4,015)	-
Total Current Liability at 30 June	1,989	-	1,989	-
Non-Current				
Minimum Lease Payments	88,200	-	88,200	-
Less Finance Costs	(35,624)	-	(35,624)	-
Total Non-Current Liability at 30 June	52,576	-	52,576	-
Total Finance Lease Liability at 30 June	54,565	-	54,565	-
Minimum Lease Payments:				
Payable within one year	6,004	-	6,004	-
Payable later than one year but not later than five years	24,014	-	24,014	-
Payable later than five years	64,186	-	64,186	-
Total Minimum Lease Payment Commitment	94,204	-	94,204	-
Finance Costs:				
Payable within one year	4,015	-	4,015	-
Payable later than one year but not later than five years	14,354	-	14,354	-
Payable later than five years	21,270	-	21,270	-
Total Finance Costs Commitment	39,639	-	39,639	-
Total Finance Lease Liability:				
Payable within one year	1,989	-	1,989	-
Payable later than one year but not later than five years	9,660	-	9,660	-
Payable later than five years	42,916	-	42,916	-
Total Finance Lease Liability at 30 June	54,565	-	54,565	-

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

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2008

19. CONTINGENT ASSETS AND LIABILITIES

Contingent assets and liabilities not yet recognised in the financial statements of the Authority exist with respect to GST recoverable from, and payable to, the Australian Taxation Office on capital expenditure commitments, lease commitments and other operating expenditure commitment. The contingent asset as at 30 June 2008 is \$29.241 million (\$0.023 million at 30 June 2007). The contingent liability as at 30 June 2008 is \$69.149 million (Nil at 30 June 2007).

A contingent asset of \$0.100 million (Nil at 30 June 2007) is recognised in relation to the litigation proceedings brought by Emerald Holding Company Limited. The proceedings arise from Emerald Holding Company, the purchaser of the State Bank of NSW in 1994, claiming indemnity involving the State Bank of NSW in respect of matters arising prior to its sale. The litigation proceedings were discontinued on 16 October 2006 and Emerald Holding Company Limited ordered to pay the NSW Crown's costs.

A contingent liability of \$0.350 million (Nil at 30 June 2007) is recognised due to a judgement being delivered on 28 July 2006 in relation to the break benefits litigation proceedings. The proceedings arise from certain changes to the structured finance arrangements that were put in place in 1991 when Rawson Place Pty Ltd acquired the McKell Building from the NSW Crown. The NSW Crown was ordered to pay the costs of defendants State Bank of NSW (now Commonwealth Bank of Australia).

Contingent Assets and Liabilities	Consolidated Entity		Authority	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
(a) Contingent Assets				
GST Recoverable Input Tax Credits on:				
- Capital Commitments (Note 18(a))	1,362	7	1,362	7
- Future Minimum Lease Payments under Non-Cancellable Operating Leases as Lessee (Note 18(b))	27,879	-	27,879	-
- Other Operating Expenditure Commitments (Note 18(c))	457	16	457	16
Litigation	100	-	100	-
Contingent Assets at 30 June	29,798	23	29,798	23
(b) Contingent Liabilities				
GST Payable on:				
- Future Minimum Lease Receipts under Non-Cancellable Operating Leases as Lessor (Note 2(a))	41,270	-	41,270	-
- Future Minimum Lease Receipts under Non-Cancellable Operating Leases as Lessee (Note 18(b))	27,879	-	27,879	-
Litigation	350	-	350	-
Contingent Liabilities at 30 June	69,499	-	69,499	-

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2008

20. FINANCIAL INSTRUMENTS

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

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

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

(a) Financial Instrument Categories

			Consolidated Entity	
			2008	2007
			\$'000	\$'000
Financial Assets - Carrying Amounts				
<u>Class</u>	<u>Category</u>	<u>Notes</u>		
Cash and Cash Equivalents	n/a	1(s)(i), 5	120,628	120,225
Receivables	Loans and Receivables (at Amortised Cost)	1(s)(ii), 6	32,043	11,186
Financial Liabilities - Carrying Amounts				
<u>Class</u>		<u>Notes</u>		
Payables	Financial Liabilities (at Amortised Cost)	1(s)(iii), 11	17,166	19,153
Finance Leases	Financial Liabilities (at Amortised Cost)	1(q)(i), 18(d)	54,565	-

(b) Credit Risk

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

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

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

(i) Cash

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

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2008

(ii) Receivables - Trade Debtors

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

The Authority is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Based on past experience, current debtors totalling \$2.442 million (\$0.792 million at 30 June 2007) are not considered impaired and these represent 42.2% (62.9% at 30 June 2007) of the total trade debtors. Most of the Authority's debtors have an AAA credit rating. There are no debtors which are currently not past due or impaired whose terms have been renegotiated.

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

Credit Risk - 2008

Financial Assets

Receivables:

Past Due But Not Impaired

Considered Impaired

Total Credit Risk

	Overdue			Total
	<3 Mths	>3 <6 Mths	>6 Mths	2008
	\$'000	\$'000	\$'000	\$'000
Past Due But Not Impaired	2,426	187	732	3,345
Considered Impaired	125	184	106	415
Total Credit Risk	2,551	371	838	3,760

Credit Risk - 2007

Financial Assets

Receivables:

Past Due But Not Impaired

Considered Impaired

Total Credit Risk

	Overdue			Total
	<3 Mths	>3 <6 Mths	>6 Mths	2007
	\$'000	\$'000	\$'000	\$'000
Past Due But Not Impaired	42	85	341	468
Considered Impaired	-	4	44	48
Total Credit Risk	42	89	385	516

(c) Liquidity Risk

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

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

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in Treasurer's Direction 219.01. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. Treasurer's Direction 219.01 allows the Minister to award interest for late payment. The Minister did not award any interest for late payments during 2008 and 2007.

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

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2008

(d) Market Risk

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

The effect on profit and equity due to a reasonably possible change in risk variable is outlined below under interest rate risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the Authority operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the balance sheet date. The analysis is performed on the same basis for 2007. The analysis assumes that all other variables remain constant.

(i) Interest Rate Risk

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

Interest Rate Risk - 2008		-1%		+1%	
Financial Assets	Carrying Amount \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Cash and Cash Equivalents	120,628	(1,019)	(1,019)	1,019	1,019
Interest Rate Risk - 2007		-1%		+1%	
Financial Assets	Carrying Amount \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Cash and Cash Equivalents	120,225	(453)	(453)	453	453

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

(e) Fair Value

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

State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2008

21. EVENTS AFTER BALANCE SHEET DATE

(a) Adjusting Events

There are no known after balance date events which would give rise to a material impact on the reported results or financial position of the Authority as at 30 June 2008.

(b) Non-Adjusting Events

Property Vesting

On 1 July 2008, pursuant to Premier's Memorandum M2008-06 "State Property Authority and Government Property Principles", a total of twenty four (24) properties from four (4) government agencies were vested in the State Property Authority under the provisions of the *State Property Authority Act 2006*.

The estimated quantum financial effect on the Authority's accounts from this transfer in 2008-09 will be:

- (i) an increase in operating revenue of approximately \$3.8 million;
- (ii) an increase in operating expenses of approximately \$1.5 million; and
- (iii) a transfer in of net assets totalling approximately \$32.8 million

Further vesting of Government agency-owned and leased properties will occur in separate tranches during 2008-09 and 2009-10. As the identification and validation of these properties was still in progress as at the reporting date, estimates of the quantum financial impact on the Authority's accounts were not available.

Transfer of Newcastle Lands

In July 2007, the State Government approved for negotiations to occur between the Authority, the Hunter Development Corporation and the Newcastle Ports Corporation on the transfer of the Authority's Newcastle lands. Arrangements for the transfers of land have progressed however, there were no transactions in progress as at 30 June 2008.

On 11 September 2008, a parcel of land on Kooragang Island was transferred to the Hunter Development Corporation. This transaction is an equity transfer in accordance with Treasury Policy and Guidelines Paper TPP08-3 "Contributions By Owners Made to Wholly-Owned Public Sector Entities". The financial impact of this transfer will result in a \$6.2m reduction in the Authority's Net Assets and Equity in 2008-09.

There were no other transactions completed for the transfer or sale of any further Newcastle land sites prior to the finalisation of this report. Accordingly, additional financial impacts on the Authority's accounts in 2008-09 could not be determined.

End of Audited Financial Statements

Office of the State Property Authority



STATE PROPERTY AUTHORITY

Financial Report

For the Year Ended 30 June 2008

Statement by the Chief Executive Officer

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

- (a) The accompanying financial statements exhibit a true and fair view of the financial position of the Office of the State Property Authority as at 30 June 2008 and the transactions for the year then ended.
- (b) The financial report complies with applicable Australian Accounting Standards (which include Australian Accounting Interpretations), the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2005*, and the Treasurer's Directions.

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

A handwritten signature in black ink, appearing to read 'M A Skewes'.

M A Skewes

Chief Executive Officer
State Property Authority

SYDNEY

8 October 2008



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

Office of the State Property Authority

To Members of the New South Wales Parliament

I have audited the accompanying financial report of the Office of the State Property Authority (the Office), which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes.

Auditor's Opinion

In my opinion, the financial report:

- presents fairly, in all material respects, the financial position of the Office as at 30 June 2008, and its financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2005.

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

The Chief Executive Officer's Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

My opinion does *not* provide assurance:

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

Independence

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

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



Heather Watson
Director, Financial Audit Services

9 October 2008
SYDNEY

Office of the State Property Authority

Start of Audited Financial Report
Income Statement
For the Year Ended 30 June 2008

	Note	2008 \$'000	* 2007 \$'000
Revenue			
Personnel Services Income	2	10,552	5,705
Total Revenue		10,552	5,705
Expenses			
Employee Related Expenses	3	10,552	5,705
Total Expenses		10,552	5,705
Net Surplus/(Deficit) for the Period		-	-

* For the Ten Month Period 1 September 2006 to 30 June 2007

[The accompanying notes form part of these statements]

Office of the State Property Authority

Balance Sheet As At 30 June 2008

	Note	2008 \$'000	2007 \$'000
ASSETS			
Current Assets			
Receivables	4	3,457	3,690
Total Current Assets		3,457	3,690
Non-Current Assets			
Receivables	4	1,474	449
Total Non Current Assets		1,474	449
TOTAL ASSETS		4,931	4,139
LIABILITIES			
Current Liabilities			
Payables	5	146	441
Provisions	6	3,311	3,249
Total Current Liabilities		3,457	3,690
Non-Current Liabilities			
Provisions	6	1,474	449
Total Non-Current Liabilities		1,474	449
TOTAL LIABILITIES		4,931	4,139
NET ASSETS		-	-
EQUITY			
Retained Earnings	8	-	-
TOTAL EQUITY		-	-

[The accompanying notes form part of these statements]

Statement of Changes in Equity

For the Year Ended 30 June 2008

	Note	2008 \$'000	* 2007 \$'000
Total Equity at the Beginning of the Year		-	-
Net Income and Expense Recognised Directly in Equity			
Net Surplus/(Deficit) for the Period		-	-
Total Net Income and Expense Recognised Directly in Equity		-	-
Total Transactions with Owners in their Capacity as Owners		-	-
Total Changes in Equity for the Year		-	-
Total Equity at the End of the Year		-	-

* For the Ten Month Period 1 September 2006 to 30 June 2007

[The accompanying notes form part of these statements]

Cash Flow Statement

For the Year Ended 30 June 2008

	Note	2008 \$'000	* 2007 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers		-	-
Payments to Suppliers and Employees		-	-
NET CASH FLOWS FROM OPERATING ACTIVITIES		-	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of Property, Plant and Equipment		-	-
NET CASH FLOWS FROM INVESTING ACTIVITIES		-	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		-	-
Opening Cash and Cash Equivalents		-	-
CLOSING CASH AND CASH EQUIVALENTS		-	-

* For the Ten Month Period 1 September 2006 to 30 June 2007

[The accompanying notes form part of these statements]

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

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

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

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

As the Office commenced operations on 1 September 2006, all comparative information presented in this financial report is for the ten month period commencing on that date and ending on 30 June 2007.

These financial statements have been authorised for issue by the Chief Executive Officer of the State Property Authority on 8 October 2008.

(b) Basis of Preparation

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

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

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

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

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

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

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

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2008

(c) Statement of Compliance

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

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

(d) Income

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

(e) Employee Benefits and Other Provisions

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

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

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

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

(ii) Long Service Leave

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

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

(iii) Superannuation

Defined Contribution Schemes:

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

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2008

Defined Benefit Schemes:

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

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

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

(iv) Other Provisions

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

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

(f) Receivables

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

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

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

(g) Payables

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

(h) Financial Instruments

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

Office of the State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2008

2. REVENUE	2008	2007
	\$'000	\$'000
Personnel Services Income	10,552	5,705
	10,552	5,705
3. EMPLOYEE RELATED EXPENSES	2008	2007
	\$'000	\$'000
Salaries and Wages (Including Recreation Leave)	7,942	6,155
Superannuation (Defined Benefit Plans) (i)	1,469	(1,191)
Superannuation (Defined Contribution Plans)	338	249
Long Service Leave	351	155
Worker's Compensation Insurance	36	62
Payroll Tax and Fringe Benefits Tax	416	275
	10,552	5,705
(i) The actuarial valuation undertaken on the Office of the State Property Authority's (the Office) defined benefit superannuation schemes as at 30 June 2008, has determined an increase in the Office's overall net liability of \$1.185 million (\$1.420 million reduction in 2006-07) during the reporting period. This increase has largely resulted from negative investment returns on fund assets (see Note 7). The resulting increase in the Office's net liability has been debited in the Income Statement to the Office's defined benefits plan superannuation expense under Employee Related Expenses.		
4. RECEIVABLES	2008	2007
	\$'000	\$'000
Current		
Receivable from Parent Entity - Annual Leave	790	723
Receivable from Parent Entity - Accrued Salaries, Wages and On-Costs	146	441
Receivable from Parent Entity - Long Service Leave On-Costs	217	217
Long Service Leave Reimbursable from the Crown Entity	2,304	2,309
	3,457	3,690
Non-Current		
Receivable from Parent Entity - Superannuation (Net)	1,364	179
Prepaid Superannuation (Note 7)	110	270
	1,474	449
5. PAYABLES	2,008	2007
	\$'000	\$'000
Current		
Accrued Salaries, Wages and On-Costs	146	441
	146	441

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2008

6. PROVISIONS

	2,008 \$'000	2007 \$'000
Current		
Annual Leave (a)	790	723
Long Service Leave (b)	2,304	2,309
Long Service Leave On-Costs (b)	217	217
	3,311	3,249
Non-Current		
Superannuation (Note 7)	1,474	449
	1,474	449

(a) Annual Leave

	2,008 \$'000	2007 \$'000
An estimated dissection of the short and long term liability is:		
Short Term - expected to be settled within 12 months	459	418
Long Term - not expected to be settled within 12 months	331	305
	790	723

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

(b) Long Service Leave

	2008 \$'000	2007 \$'000
An estimated dissection of the short and long term liability is:		
Short Term - expected to be settled within 12 months	252	253
Long Term - not expected to be settled within 12 months	2,269	2,273
	2,521	2,526

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

(c) Aggregate Employee Benefits and Related On-Costs

	2008 \$'000	2007 \$'000
Provisions - Current	3,311	3,249
Provisions - Non-Current	1,474	449
Accrued Salaries, Wages and On-Costs (Note 5)	146	441
	4,931	4,139

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

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2008

7. SUPERANNUATION

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

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

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

All the schemes are closed to new members.

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

Superannuation Position

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

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2008

Member Numbers	SASS No.	SANCS No.	SSS No.	
As at 30 June 2007				
Contributors	4	22	18	
Deferred Benefits	-	-	-	
Pensioners	-	-	-	
Pensions Fully Commuted	-	-	-	
Superannuation Position for AASB 119 Purposes	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
As at 30 June 2007				
Accrued Liability	(1,174)	(796)	(10,246)	(12,216)
Estimated Reserve Account Balance	1,272	968	9,797	12,037
	98	172	(449)	(179)
Future Service Liability *	(317)	(301)	(891)	(1,509)
Surplus in Excess of Recovery Available from Schemes	-	-	-	-
Asset/(Liability) Recognised in the Balance Sheet	98	172	(449)	(179)

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

Reconciliation of the Present Value of the Defined Benefit Obligation

For the Year Ended 30 June 2008	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Present Value of Partly Funded Defined Benefit Obligations at Beginning of the Period	(1,174)	(796)	(10,246)	(12,216)
Current Service Cost	(43)	(43)	(125)	(211)
Interest Cost	(74)	(49)	(653)	(776)
Contributions by Fund Participants	(18)	-	(182)	(200)
Actuarial Gains/(Losses)	39	7	637	683
Benefits Paid	145	78	(943)	(720)
Past Service Cost	-	-	-	-
Curtailments	-	-	-	-
Settlements	-	-	-	-
Business Combinations	-	-	-	-
Exchange Rate Changes	-	-	-	-
Present Value of Partly Funded Defined Benefit Obligations at End of the Period	(1,125)	(803)	(11,512)	(13,440)

Office of the State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2008

For the Ten Months Ended 30 June 2007	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Present Value of Partly Funded Defined Benefit Obligations at Beginning of the Period	(788)	(661)	(9,589)	(11,038)
Current Service Cost	(27)	(30)	(137)	(194)
Interest Cost	(38)	(31)	(463)	(532)
Contributions by Fund Participants	(13)	-	(133)	(146)
Actuarial Gains/(Losses)	(118)	61	99	42
Benefits Paid	(190)	(135)	(23)	(348)
Past Service Cost	-	-	-	-
Curtailments	-	-	-	-
Settlements	-	-	-	-
Business Combinations	-	-	-	-
Exchange Rate Changes	-	-	-	-
Present Value of Partly Funded Defined Benefit Obligations at End of the Period	(1,174)	(796)	(10,246)	(12,216)
<u>Reconciliation of the Fair Value of Fund Assets</u>				
For the Year Ended 30 June 2008	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Fair Value of Fund Assets at Beginning of the Period	1,272	968	9,797	12,037
Expected Return on Fund Assets	96	74	748	918
Actuarial Gains/(Losses)	(213)	(132)	(1,952)	(2,297)
Employer Contributions	50	81	366	497
Contributions by Fund Participants	18	-	182	200
Benefits Paid	(145)	(78)	944	721
Settlements	-	-	-	-
Business Combinations	-	-	-	-
Exchange Rate Changes	-	-	-	-
Fair Value of Fund Assets at End of the Period	1,078	913	10,085	12,076
For the Ten Months Ended 30 June 2007	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Fair Value of Fund Assets at Beginning of the Period	792	741	7,906	9,439
Expected Return on Fund Assets	49	45	500	594
Actuarial Gains/(Losses)	203	46	1,235	1,484
Employer Contributions	25	1	-	26
Contributions by Fund Participants	13	-	133	146
Benefits Paid	190	135	23	348
Settlements	-	-	-	-
Business Combinations	-	-	-	-
Exchange Rate Changes	-	-	-	-
Fair Value of Fund Assets at End of the Period	1,272	968	9,797	12,037

Office of the State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2008

Reconciliation of the Assets and Liabilities Recognised in the Balance Sheet

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
For the Year Ended 30 June 2008				
Present Value of Partly Funded Defined Benefit Obligations at End of the Period	(1,125)	(803)	(11,512)	(13,440)
Fair Value of Fund Assets at End of the Period	1,078	913	10,085	12,076
Subtotal	(47)	110	(1,427)	(1,364)
Unrecognised Past Service Cost	-	-	-	-
Unrecognised Gain/(Loss)	-	-	-	-
Adjustment for Limitation on Net Asset	-	-	-	-
Net Asset/(Liability) Recognised in Balance Sheet at End of the Period	(47)	110	(1,427)	(1,364)
For the Ten Months Ended 30 June 2007				
Present Value of Partly Funded Defined Benefit Obligations at End of the Period	(1,174)	(796)	(10,246)	(12,216)
Fair Value of Fund Assets at End of the Period	1,272	968	9,797	12,037
Subtotal	98	172	(449)	(179)
Unrecognised Past Service Cost	-	-	-	-
Unrecognised Gain/(Loss)	-	-	-	-
Adjustment for Limitation on Net Asset	-	-	-	-
Net Asset/(Liability) Recognised in Balance Sheet at End of the Period	98	172	(449)	(179)

Expense Recognised in the Income Statement

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
For the Year Ended 30 June 2008				
Current Service Cost	(43)	(43)	(125)	(211)
Interest Cost	(74)	(49)	(653)	(776)
Expected Return on Fund Assets (Net of Expenses)	96	74	748	918
Actuarial Gains/(Losses) Recognised in Year	(174)	(125)	(1,315)	(1,614)
Past Service Cost	-	-	-	-
Movement in Adjustment for Limitation on Net Asset	-	-	-	-
Curtailment or Settlement Gain/(Loss)	-	-	-	-
Income/(Expense) Recognised	(195)	(143)	(1,345)	(1,683)
For the Ten Months Ended 30 June 2007				
Current Service Cost	(27)	(30)	(137)	(194)
Interest Cost	(38)	(31)	(463)	(532)
Expected Return on Fund Assets (Net of Expenses)	49	45	500	594
Actuarial Gains/(Losses) Recognised in Year	85	107	1,334	1,526
Past Service Cost	-	-	-	-
Movement in Adjustment for Limitation on Net Asset	-	-	-	-
Curtailment or Settlement Gain/(Loss)	-	-	-	-
Income/(Expense) Recognised	69	91	1,234	1,394

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2008

Fund Assets

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

As at 30 June:	2008 %pa	2007 %pa
Australian Equities	31.6	33.6
Overseas Equities	25.4	26.5
Australian Fixed Interest Securities	7.4	6.8
Overseas Fixed Interest Securities	7.5	6.4
Property	11.0	10.1
Cash	6.1	9.8
Other	11.0	6.8

Fair Value of Fund Assets

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

Expected Rate of Return on Assets

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

Actual Return on Fund Assets

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
For the Year Ended 30 June 2008				
Actual Return on Fund Assets	(86)	(58)	(769)	(913)
For the Ten Months Ended 30 June 2007				
Actual Return on Fund Assets	114	91	977	1,182

Valuation Method and Principal Actuarial Assumptions at Balance Date

(a) Valuation Method

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

(b) Economic Assumptions

As at 30 June:	2008 %pa	2007 %pa
Salary Increase Rate (Excluding Promotional Increases)	3.5	4.0
Rate of CPI Increase	2.5	2.5
Expected Return on Assets Backing Current Pension Liabilities	8.3	7.6
Expected Return on Assets Backing Other Liabilities	7.3	7.6
Discount Rate	6.6	6.4

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2008

(c) Demographic Assumptions

The demographic assumptions at 30 June 2008 are equivalent to those used in the 2006 triennial actuarial valuation. The most financially significant include assumptions on:

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

Historical Information

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

For the Ten Months Ended 30 June 2007	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Present value of Defined Benefit Obligation	(1,174)	(796)	(10,246)	(12,216)
Fair Value of Fund Assets	1,272	968	9,797	12,037
Surplus/(Deficit) in Fund	98	172	(449)	(179)
Experience Adjustments - Fund Liabilities	(118)	61	99	42
Experience Adjustments - Fund Assets	203	46	1,235	1,484

Expected Employer Contributions

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

For 2007-08	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Expected Employer Contributions	43	50	301	394

Office of the State Property Authority

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2008

Funding Arrangements for Employer Contributions

(a) Surplus/(Deficit)

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

	SASS	SANCS	SSS	Total
	\$'000	\$'000	\$'000	\$'000
As at 30 June 2008				
Accrued Benefits	(1,125)	(807)	(10,700)	(12,632)
Net Market Value of Fund Assets	1,078	913	10,085	12,076
Net Surplus/(Deficit)	(47)	106	(615)	(556)
As at 30 June 2007				
Accrued Benefits	(1,163)	(789)	(9,405)	(11,357)
Net Market Value of Fund Assets	1,272	968	9,797	12,037
Net Surplus/(Deficit)	109	179	392	680

(b) Contribution Recommendations

Recommended contribution rates for the Authority are:

Fund	Contribution Basis	2008	2007
		Rate	Rate
SSS	Multiple of Member Contributions	1.6	1.6
SANCS	Percentage of Member Salary	2.5	2.5
SASS	Multiple of Member Contributions	1.9	1.9

(c) Funding Method

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

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

(d) Economic Assumptions

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

Weighted Average Assumptions	2008	2007
	%pa	%pa
Expected Return on Fund Assets Backing Current Pension Liabilities	7.7	7.7
Expected Return on Fund Assets Backing Other Liabilities	7.0	7.0
Expected Rate of Salary Increase	4.0	4.0
Expected Rate of CPI Increase	2.5	2.5

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2008

Nature of Asset/Liability

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

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

8. RETAINED EARNINGS

	2008 \$'000	2007 \$'000
Balance at the Beginning of the Period	-	-
Surplus for the Period	-	-
Balance at the End of the Period	-	-

9. EVENTS AFTER BALANCE SHEET DATE

There are no known after balance date events which would give rise to a material impact on the reported results or financial position of the Office as at 30 June 2008.

End of Audited Financial Report

Statutory and Statistical Information

Principal Governing Legislation

The State Property Authority operates under the following principal legislation:

- *State Property Authority Act 2006*
- *Public Finance and Audit Act 1983*
- *Public Sector Employment and Management Act 2002*
- *State Records Act 1998*
- *Annual Reports (Statutory Bodies) Act 1984*
- *Freedom of Information Act 1989*

Changes in Legislation

The *State Property Authority Order 2008 (No 1)* published in the Government Gazette of 25 January 2008 amended Schedule 1 of the *State Property Authority Act 2006*, following the transfer to the State Property Authority of the leases previously managed within the Crown Property Portfolio.

The *State Property Authority Order 2008 (No 2)*, published in the Government Gazette of 20 June 2008 amended Schedule 1 of the *State Property Authority Act 2006* following the transfer to the State Property Authority of 24 properties previously owned by the Department of Juvenile Justice, the Department of Primary Industries, the Roads and Traffic Authority and the State Emergency Service.

Land Disposal

During 2007-08, the Authority disposed of three properties by public sale with a total value of \$41.3 million after the deduction of costs. All properties were disposed of in accordance with government guidelines.

All proceeds from the sale of the properties, less costs, were returned to the State Government as a capital repatriation.

Access to documents relating to the disposal of the properties may be obtained through the lodgement with the Authority of an application under the provisions of the *Freedom of Information Act, 1989*.

Promotion

The Authority launched its corporate website at www.spa.nsw.gov.au in March 2008, which provides stakeholders and members of the public with information on the role and functions of the Authority. The website provides a link to the Authority's 2006-07 Annual Report and its latest Summary of Affairs to 30 June 2008 under the *Freedom of Information Act, 1989*.

Payment of Accounts

The table below highlights the Authority's account payment performance for 2007-08. The percentage of invoices paid on time for the year totalled 76.3% (compared to 63.0% in 2006-07). The improvement in performance over the last financial year is largely attributed to the streamlining of all corporate accounts payable processing following the transfer of this function to the Authority from the Department of Commerce, effective 1 July 2007.

During 2007-08, there were no occasions where the late payment of accounts incurred an interest charge to the Authority.

2007-08 Account Payment Performance	1st Qtr \$000	2nd Qtr \$000	3rd Qtr \$000	4th Qtr \$000	Total \$000
Value of invoices paid					
Paid Before Due	54,087	70,168	43,969	66,654	234,878
<30 Days Overdue	427	894	710	846	2,877
>30<60 Days Overdue	198	473	256	585	1,512
>60<90 Days Overdue	105	114	188	141	548
>90 Days Overdue	145	289	205	342	981
Total Value of Invoices Paid	54,962	71,938	45,328	68,568	240,796

Percentage Paid On Time	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
Number of Invoices Paid					
Number Paid	2,775	3,204	3,319	4,609	13,907
Number Paid On Time	2,357	2,377	2,326	3,547	10,607
Percentage Paid On Time	84.9%	74.2%	70.1%	77.0%	76.3%

Consultants

The Authority engages consultants to augment existing expertise and resources. During 2007-08, the Authority obtained the following consultancy services:

2007-08 Consultancies Projects / Categories	Consultants	Total Cost \$000
Greater Than \$30,000		
Project Title	Consultant Name	
IT Needs Analysis	Central Corporate Services Unit, Department of Commerce	45,600
Less Than \$30,000		
Category	Number of Consultants	
Management Services	7	107,302
Legal	1	8,500
Information Technology	1	8,000
Total Consultancies	10	169,402

Risk Management and Insurance

The State Property Authority was insured throughout the year with the Treasury Managed Fund, which is managed by the NSW Self Insurance Corporation.

The Authority engaged IAB Services to provide internal audit services, with a term of appointment of three years, from 1 July 2007 to 30 June 2010.

The Central Corporate Services Unit of the Department of Commerce provides a range of business support, information technology and administrative assistance to the Authority.

Social Programs

The Authority did not receive funding for, nor provided any social programs during the reporting period.

Grants

The Authority did not make any grants to non-government community groups during the reporting period.

Credit Cards

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

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

Committees

Significant committees on which the Authority was represented during 2007-08 included:

- Government Asset Management Committee, on which the Chief Executive Officer represented the Authority; and
- Property Disposal Assessment Panel, which reports to the Government Asset Management Committee, and on which the General Manager, Divestments, Acquisitions and Development and a senior officer represented the Authority;

Significant committees established during the reporting period included an Audit and Risk Management Committee.

Employees: Workforce Statistics at 30 June 2008

Number of full-time equivalent staff (FTE) at 30 June 2008 (includes temporary full time)*

Senior Executive Service	5.0
Corporate Management	13.0
Property Management	50.8
Total	68.8

* Excludes 2 permanent employees of other agencies seconded to the State Property Authority

Employment Basis (FTE)*

Permanent Full-time	62.0
Permanent Part-time	0.8
Temporary Full-time	1.0
Temporary Part-time	0.0
Contract (SES)	5.0
Total	68.8

* Excludes 2 permanent employees of other agencies seconded to the State Property Authority

Total staff by salary level (excludes 2 secondments and includes 2 temporary full time staff)

Grade	Level	Men	Women	Total
General Scale	<\$35,748	-	-	-
General Scale	\$35,748-\$44,501	-	-	-
1/2 Clerk	\$46,953-\$51,044	-	1.0	1.0
3/4 Clerk	\$52,493-\$57,476	2.0	3.0	5.0
5/6 Clerk	\$61,965-\$68,370	3.0	2.0	5.0
7/8 Clerk	\$70,423-\$77,952	2.0	4.0	6.0
9/10 Clerk	\$80,274-\$88,459	17.0	5.8	22.8
11/12 Clerk	\$92,845-\$107,374	14.0	3.0	17.0
	>\$107,374 (non SES)	7.0	0.0	7.0
	>\$107,374 (SES)	3.0	2.0	5.0
Total		48.0	20.8	68.8

Senior Executive Service 2007-08

Level	Male	Female	2006-07
1	-	-	-
2	-	1	-
3	3	-	3
4	-	-	-
5	-	-	1
6	-	1	-
Total	3	2	4

Electronic Service Delivery

The Authority provides property management services. The Authority did not deliver services electronically during the reporting period.

Privacy Management

The Authority did not receive any applications for Internal Review under the *Privacy and Personal Information Protection Act 1998* during 2007-08.

During 2007-08, the Authority developed its Privacy Policy and Management Plan in accordance with Section 33 (1) of the Act. The Privacy Management Plan will be reviewed every three (3) years to ensure that the Plan is up to date. A copy of the Privacy Management Plan will be provided to the Privacy Commissioner in early 2008-09.

Freedom of Information

During 2007-08, the State Property Authority processed five applications under the *Freedom of Information Act 1989*. This compares with two applications processed by the Authority in the period September 2006 to June 2007 when one was refused (documents not held) and one (transferred in) was granted in full.

FOI – Statement of Affairs

The *Freedom of Information (FOI) Act 1989* requires information concerning documents held by the Government to be made available to the public, to enable a member of the public to obtain access to documents held by the Government and to enable a member of the public to ensure that records held by the Government concerning his or her personal affairs are not incomplete, incorrect, out of date or misleading.

Under the FOI Act, the Authority is required to publish an annual Statement of Affairs. The Statement of Affairs must include information on the structure and functions of the Authority, how these functions affect the public, the kinds of documents the Authority holds, how members of the public may access and amend the Authority's documents, and the agency's procedures for giving access to documents or the amendment of the agency's records concerning a persons personal affairs.

Structure and Functions

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

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

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

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

- hold, manage, maintain, acquire or dispose of property for the Government and government agencies;
- carry out, manage, co-ordinate or participate in the development of the property of government agencies (including property of the Authority);
- arrange, where appropriate, for the sharing of facilities and premises by government agencies to reduce operational expenses;
- provide services or do other things for the management, maintenance or improvement of property of government agencies (including property of the Authority);

-
- provide advice to the Treasurer in relation to properties of government agencies and, in particular, as to whether those properties are being efficiently utilised;
 - provide advice to the Treasurer on the transfer of properties to the Authority and on budgetary measures relating to the properties of government agencies; and
 - provide advice to the Treasurer on such matters relating to the properties of government agencies (including the property of the Authority) as the Treasurer directs.

Details on programs and activities being undertaken by the State Property Authority are provided elsewhere in this Annual Report. Information on the Authority is also available on its website at <http://www.spa.nsw.gov.au>

Effect of functions on members of the public

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

Documents held

The Authority holds the following categories of documents:

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

All policy documents held by Authority are identified in the Authority's FOI Summary of Affairs and published in the NSW Government Gazette every six months. The June 2008 Summary of Affairs was published in the Government Gazette on 27 June 2008.

Access arrangements, procedures and points of contact

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

The Freedom of Information Coordinator
State Property Authority
Level 9, Bligh House
4-6 Bligh Street
SYDNEY NSW 2000

Telephone: 9338 7014
Facsimile: 9338 7111
Email: maryjane.malipant@spa.nsw.gov.au

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

An application for access to, or the amendment of, documents under the FOI Act must be made in writing, and accompanied by a fee of \$30.00 and directed to the above address. Application forms are available from the FOI Coordinator. Upon receipt, the applicant will be advised of the outcome of the application within 21 days, subject to the provisions of the Act.

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

Charges for Access

Nature of Application	Application Fee	Processing
Access to records by natural person about their personal affairs	\$30.00	\$30.00 an hour after first 20 hours
All other requests	\$30.00	\$30.00 per hour
Internal review (all circumstances)	\$40.00	Nil
Amendment of records	Nil	Nil

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

Strategies for communicating the Authority's obligations, policies and strategies for privacy management to staff will be implemented during 2008-09.

Freedom of Information Statistics for 2007-08

FOI Requests	Personal	Other	Total
New (including transferred in)	0	5	5
Brought forward	0	0	0
Total to be processed	0	5	5
Completed	0	5	5
Transferred out	0	0	0
Withdrawn	0	0	0
Total processed	0	5	5
Unfinished (carried forward)	0	0	0

Result of FOI Requests		Personal	Other	Total
Granted in full		0	3	3
Granted in part		0	2	2
Refused		0	0	0
Deferred		0	0	0
Completed		0	5	5
Ministerial Certificates				2007-08
Ministerial certificates issued				0
Formal consultations				2007-08
Requests requiring formal consultation				2
Reviews and appeals				2007-08
Internal reviews finalised				0
Ombudsman reviews finalised				0
Administrative Decisions Tribunal appeals finalised				0
Internal review results				2007-08
Grounds on which sought	Personal		Other	
	Upheld	Varied	Upheld	Varied
Access refused	0	0	0	0
Deferred	0	0	0	0
Exempt matter	0	0	0	0
Unreasonable charges	0	0	0	0
Charges unreasonably incurred	0	0	0	0
Amendment refused	0	0	0	0
Total	0	0	0	0
Amendment of Personal Records				2007-08
Result of amendment request – agreed				0
Result of amendment request – refused				0
Notation of Personal Records				2007-08
Requests for notation				0

Significant correction of Personal Records			2007-08	
			Personal	Other
Requests for correction			0	0

Requests granted in part or refused				2007-08	
Basis for disallowing / restricting access	Personal		Other		Total
Section 19 (application incomplete, wrongly directed)	0		0		0
Section 22 (deposit not paid)	0		0		0
Section 25(1)(al) (unreasonable diversion of resources)	0		0		0
Section 25(1)(a) (exempt)	0		2		2
Section 25(1)(b),(c),(d) (otherwise available)	0		0		0
Section 28(1)(b) (documents not held)	0		0		0
Section 24(2) (deemed refused, over 21 days)	0		0		0
Section 31(4) (released to medical practitioner)	0		0		0
Total	0		2		2

Assessed costs and fees received for requests processed				2007-08	
	Personal		Other		
	Costs	Fees	Costs	Fees	
All completed requests	\$0	\$0	\$785	\$480	

Discounts allowed			2007-08	
Type of discount allowed	Personal		Other	
Public interest	0		0	
Financial hardship – pensioner / child	0		0	
Financial hardship – non-profit organisation	0		0	
Total	0		0	

Days to process		2007-08
Elapsed time	Personal	Other
0-21 days	0	1
22-35 days	0	4
Over 35 days	0	0
Total	0	5

Processing time		2007-08
Processing hours	Personal	Other
0-10 hours	0	4
11-20 hours	0	1
21-40 hours	0	0
Over 40 hours	0	0
Total	0	5

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Access to Services

Postal Address:

GPO Box 5341 Sydney 2001

Street Address:

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

Business Hours:

9.00 am to 5.00 pm Monday to Friday

Key Telephone Numbers:

Facsimile (02) 9338 7111

Switchboard (02) 9338 7000

FOI Coordinator (02) 9338 7140

External Costs of Production

The total external costs of producing this annual report (including goods and services tax) were \$5,500.

Availability of Annual Report

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

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