Property NSW

Annual Report 2018-19

- Financial statements for the year ended 30 June 2019
- Statutory information

Property NSW
Level 4, 66 Harrington Street, Sydney NSW 2000
PO Box N408, Grosvenor Place NSW 1220
Tel 02 9240 8500 | www.property.nsw.gov.au

The Hon. Melinda Pavey, MP
Minister for Water, Property and Housing
GPO Box 5341
SYDNEY NSW 2001

Dear Minister

Property NSW Annual Report 2018-19

I am pleased to submit the Annual Report for Property NSW, for the year ended 30 June 2019, for presentation to Parliament.

This report has been prepared in accordance with the *Annual Reports (Statutory Bodies) Act 1984*, the *Public Finance and Audit Act 1983* and regulations under those Acts.

Yours sincerely

Sam Romaniuk
A/ Chief Executive Officer
Property NSW

27 September 2019

Contents

1. Charter

Property NSW has been assigned the NSW Government mandate to continually improve the management of the NSW Government's owned and leased real property portfolio.

Property NSW is established and operates under the principal legislation of the *Property NSW Act 2006* (the Act*).*

2. Aims and objectives

Under section 10 of the Act, the principal objectives of Property NSW in exercising its functions are:

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

Property NSW has specific statutory functions set out in section 11 of the Act:

- holding, managing, maintaining, acquiring or disposing of property for the government and government agencies;
- undertaking, managing, coordinating or participating in the development of government agency property;
- arranging, where appropriate, for the sharing of facilities and premises by government agencies to reduce operational expenses;
- providing property services for its own or government agency properties, including property management, maintenance and improvements;
- providing advice to the Minister in relation to government agency property, in particular:

  - whether the properties are being efficiently utilised
  - regarding the transfer of properties to Property NSW and related budgets
  - other matters relating to government agency properties, as the Minister directs

3. Access

Property NSW
Level 4, 66 Harrington Street, The Rocks
PO Box N408 Grosvenor Place NSW 1220
T: +61 2 9240 8500
feedback@property.nsw.gov.au
www.property.nsw.gov.au

Core business hours are 8:30am – 5:00pm Monday to Friday.

4. Management and structure

Property NSW was part of the Property and Advisory Group (PAG) within Department of Finance, Services and Innovation (DFSI) during the year ending 30 June 2019.

The group is led by a CEO, who reports to the Minister, both directly and via the Secretary of DFSI.

As at 30 June 2019, Property NSW's Executive team consisted of:

Brett Newman (from April 2013 to 17 April 2019)
Deputy Secretary, Property and Advisory Group; Chief Executive Officer, Property NSW
MBA, LLM, LLB, BEc

Sam Romaniuk (from 18 April 2019)
A / Deputy Secretary, Property and Advisory Group
A / Chief Executive Officer, Property NSW
BCom, LLB, Chartered Accountant (CAANZ)

Adam Howarth
Executive Director, Portfolio Management Group
B.App.Sc, Land Ec. (Real Estate & Valuation), Hons

Dennis Szabo
Executive Director, Valuation Services
BBus, Chartered Accountant (CAANZ), App Dip Fin & Inv (Finsia)

Leon Walker
Executive Director, Development & Transactions
BBusB&F, GradDipProp, GradCercMgmt, GradDip App.Fin, GAICD

Jennifer Palmer (from 1 July 2018 to 28 November 2018)
Executive Director, Operational and Housing Services
MSIT, GradDegSc.

Samantha McGivern (from 29 November 2018)
Executive Director, Portfolio Management & Performance
BEc (Accg & Fin), MCom (Mktg), Chartered Accountant (CAANZ); GAICD

Stuart Crawford
Executive Director, Property Financial Services
BCom, LLB, Chartered Accountant (CAANZ); MBA (Exec)

Naveen Chandra
Executive Director, Strategy
BEc (Hons); MBA

5. Summary review of operations

Property NSW undertakes a diverse range of services on behalf of the NSW Government, including property reform, asset management, transactions and major projects.

Property NSW's focus is on the strategic review, acquisition, divestment and greater utilisation of the government's real property assets. Property NSW's assets comprise office buildings, significant heritage properties, police housing, non-commercial assets and land holdings, many of which have been vested to Property NSW by other government agencies.

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

The past 12 months have seen further progress towards the vision of excellence in property, infrastructure and places for New South Wales.

Property NSW's achievements include:

- recycling $199.4 million in surplus or underutilised property assets
- completing the sale of 11 properties in Millers Point and realising sale proceeds of $17 million in 2018-19. This completed the sale of 189 properties in Millers Point realising sale proceeds of $608.9 million, having funded 1,271 new social housing dwellings, with a further 202 under construction
- a reduction in office space utilisation for the Property NSW managed portfolio (regional, metro and CBD office) from 14.3m^2/FTE to 13.7m^2/FTE
- a reduction in CBD office space of more than 22,000m^2 in FY19. The Government has now reduced CBD office space by 97,574m^2 since 2011
- lease pre-commitments to deliver new Government Hubs in two sites with a total area of approximately 65,000m^2, contributing to more than 226,000m^2 of new office space across the State
- ensuring gross effective rents for 95% of new leases are at or below market benchmarks
- the award of nine new contracts to deliver cleaning services to approximately 4,200 government sites across the State, including schools, TAFE campuses and ambulance, police and fire stations. The new contracts are estimated to save the NSW Government more than $75 million over the near five-year term, and include safeguards to fully protect cleaners' rights and entitlements

6. Economic or other factors

***Sydney CBD and Metropolitan* Markets**

The commercial property market in Sydney has remained robust over the past 12 months primarily due to low net additions (supply) and moderate demand. The Sydney CBD office market recorded its lowest vacancy rate in over 10 years of 3.7% at June 2019 – continuing the tightening phase which started in 2014.[1]

Low vacancies have already driven strong rental growth in the CBD, with prime gross stated rents climbing about 7% to $1,355 per square metre over the year to March 2019.[2]

Office investment remains robust in Sydney's CBD, with more than $8 billion in sales reported for FY2019. Strong investor activity has driven drown prime yields which are now at, or close to, record lows across major office markets across Sydney. However, the pace of firming has slowed and possibly stalled following steep yield tightening in the previous four years.[3]

Regional Markets

Regional office markets remained relatively stable throughout FY2019 with limited leasing enquiry and stable rental levels. The Newcastle and Wollongong markets were the main exceptions with A grade vacancies tightening to 2.8% and 1.4% respectively as at July 2019[1].

7. Management and activities

Performance overview

Utilisation: In 2018-19, office space utilisation within Property NSW's total commercial office portfolio improved from 14.3m^2/FTE to 13.7m^2/FTE. This overall rate is covers applicable to both owned and leased properties and is the result of improved internal policies and processes, including the continued digitisation of the end-to-end leasing process.

Property NSW has a utilisation target of 13m^2/FTE for lease renewals, and 10m^2/FTE for new leases.

Utilisation excluding operational space (m^2/FTE)

Improved utilisation has positive ongoing impact on total rental cost as leases are renewed. Given the significant workforce occupying space in properties managed by Property NSW, the 0.6m^2/FTE utilisation reduction achieved notionally represents over 35,000m^2 (approx. 4% of the current leased portfolio) in reduced space.

[1] Property Council of Australia Office Market Report – August 2019 (reflecting June 2019 data).

[2] BIS Oxford Economics, Sydney CBD Office Property Prospects: 2019-2029 – June 2019

[3] JLL Sydney Office Market Snapshot – June 2019

Leased Portfolio Rental Costs: As the relative size of the leased portfolio increases (through government owned-asset sales and changing government priorities), managing the rental costs of commercial leases becomes increasingly important. Property NSW seeks to add value by leveraging collective bargaining-power across agencies, delivering lower and more stable rental costs for the Government.

Commercial Portfolio Performance
The key objective for Property NSW in portfolio management is to ensure that office accommodation supports the core service delivery of agencies. Property NSW seeks to manage returns and expenditures of capital assets as secondary and supporting goals, rather than optimising portfolio returns at the expense of wider objectives[4].

Vacancy rates: Property NSW has continued to maintain low vacancy rates for the owned commercial properties with CBD vacancy at 1.6%[5] against the benchmark[6] of 3.7% and the Metropolitan areas (0.2% vs. 5.9%)[7].

The vacancy rate for the Property NSW owned and leased property portfolios is 0.9%. The leased portfolio includes 589 properties leased from external landlords.

8. Human resources

Employment Statistics (# of FTE)

Division	2015[8,9]	2016[9,10]	2017[9,10]	2018[9,10]	2019[9,10]
Senior Executive	15.4	20.3	28.1	32.0	36.0
Senior Officer	3.0	-	-	-	-
Ongoing	77.7	96.3	259.2	263.6	297.0
Temporary	2.0	3	8.0	14.0	16.0
Graduate	-	-	3.0	1.0	3.0
Total	**98.1**	**119.6**	**298.3**	**310.6**	**352.0**

4 Note that the asset performance included in this section contains only commercial properties to provide accurate comparisons to benchmarks.
5 Source data: PNSW data from JLL RED database at 30 June 2019
6 Sydney CBD Benchmark source – PCA Office Market Report – July 2019
7 BIS Oxford Economics Non-CBD Vacancy Rate, December 2018
8 Full time equivalent staff (excludes chairpersons, casuals, contractor/agency staff, statutory appointments, trustees, council committee members, staff on secondment to other agencies and staff on long term leave without pay).
9 Statistics are based on Workforce Profile census data as at 18 June 2015, 30 June 2016, 29 June 2017, 28 June 2018 and 27 June 2019.

	2018[10,11,12]				2019[10,11,12]			
Senior Executive Band	**Female**	**Male**	**Total**	**% Representation by Women**	**Female**	**Male**	**Total**	**% Representation by Women**
Band 4 (Secretary)	0	0	0	**0%**	0	0	0	**0%**
Band 3 (Deputy Secretary)	0	1	1	**0%**	0	1	1	**0%**
Band 2 (Executive Director)	2	5	7	**28.6%**	1	5	6	**16.7%**
Band 1 (Director)	10	14	25	**40.0%**	10	19	29	**34.5%**
Total	**11**	**20**	**32**	**34.4%**	**11**	**25**	**36**	**30.6%**

	2018[13]		2019[13]	
Senior Executive Band	**Range $**	**Average Remuneration $**	**Range $**	**Average Remuneration $**
Band 4 (Secretary)	463,551 - 535,550	0	475,151 - 548,950	0
Band 3 (Deputy Secretary)	328,901 - 463,550	506,326[14]	337,101 - 475,150	337,101
Band 2[15] (Executive Director)	261,451 - 328,900	283,067	268,001 - 337,100	295,395
Band 1[15] (Director)	183,300 - 261,450	224,533	187,900 - 268,000	231,007

Employee related costs

Employee related costs 2018-19	**Amount**
Executive	$9,203,002
Non-Executive	$34,433,365
Total	$43,636,367
Ratio Senior Executive	21.1%

[10] Senior Executive statistics exclude casuals, contractor/agency staff, statutory appointments, staff on secondment to other agencies and staff on long term leave without pay.
[11] Statistics are based on Workforce Profile census data as at 28 June 2018 and 27 June 2019.
[12] All employees reported in 2018 and 2019 are appointed under the Government Sector Employment Act. Salary band based on current assignment including those on a temporary above level assignment for more than two months.
[13] Salary ranges effective at the Workforce Profile census dates of 28 June 2018 and 27 June 2019.
[14] Figures reflect allowances paid within the period.
[15] Total remuneration package data not available in workforce profile so average remuneration taken for annual base remuneration of assigned role.

In 2018-19, 21.1% of employee related expenditure was for senior executives, compared with 2017-18 which was 20.1%.

9. Workforce Diversity

Trends in the Representation of Workforce Diversity Groups						
Workforce Diversity Group	**Benchmark**	**2016[16,17]**	**2017[16,17]**	**2018[16]**	**2019[16]**
Women[18]	**50%**	46.8%	46.0%	46.3%	52.3%
Aboriginal People and/or Torres Strait Islander People[19]	**3.3%**	0.0%	1.6%	0.4%	0.3%
People whose First Language Spoken as a Child was not English[20]	**22.3%**	13.7%	17.3%	18.2%	11.0%
People with a Disability[21]	**5.6%**	2.4%	4.0%	2.2%	0.8%
People with a Disability Requiring Work-Related Adjustment[22]	**N/A**	1.6%	1.1%	1.1%	0.8%

Trends in the Distribution of Workforce Diversity Groups					
Workforce Diversity Group	**Benchmark[22,23]**	**2016**	**2017**	**2018**	**2019**
Women	**100**	95	90	91	N/A
Aboriginal People and/or Torres Strait Islander People	**100**	N/A	N/A	N/A	N/A
People whose First Language Spoken as a Child was not English	**100**	N/A	98	99	N/A
People with a Disability	**100**	N/A	N/A	N/A	N/A
People with a Disability Requiring Work-Related Adjustment	**100**	N/A	N/A	N/A	N/A

[16] Statistics are based on Workforce Profile census data as at 30 June 2016, 29 June 2017, 28 June 2018 and 27 June 2019.
[17] Workforce diversity statistics for 2016 and 2017 reflect the current composition of the department and may vary from those reported in previous annual reports.
[18] The benchmark of 50% for representation of women across the sector is intended to reflect the gender composition of the NSW community.
[19] The NSW Public Sector Aboriginal Employment Strategy 2014 – 17 introduced an aspirational target of 1.8% by 2021 for each of the sector's salary bands. If the aspirational target of 1.8% is achieved in salary bands not currently at or above 1.8%, the cumulative representation of Aboriginal employees in the sector is expected to reach 3.3%.
[20] A benchmark from the Australian Bureau of Statistics (ABS) Census of Population and Housing has been included for People whose First Language Spoken as a Child was not English. The ABS Census does not provide information about first language, but does provide information about country of birth. The benchmark of 22.3%% is the percentage of the NSW general population born in a country where English is not the predominant language.
[21] In December 2017, the NSW Government announced the target of doubling the representation of people with disability in the NSW public sector from an estimated 2.7% to 5.6% by 2027. More information can be found at: Jobs for People with Disability: A plan for the NSW public sector. The benchmark for 'People with Disability Requiring Work-Related Adjustment' was not updated.
[22] A Distribution Index score of 100 indicates that the distribution of members of the Workforce Diversity group across salary bands is equivalent to that of the rest of the workforce. A score less than 100 means that members of the Workforce Diversity group tend to be more concentrated at lower salary bands than is the case for other staff. The more pronounced this tendency is, the lower the score will be. In some cases, the index may be more than 100, indicating that members of the Workforce Diversity group tend to be more concentrated at higher salary bands than is the case for other staff.
[23] The Distribution Index is not calculated when the number of employees in the Workforce Diversity group is less than 20 or when the number of other employees is less than 20.

10. Consultants

Property NSW engages consultants for specialised work on an as-needed basis, including for economic appraisals and financial services. In 2018-19, Property NSW engaged the following consultant for fees above $50,000.

Consultant's Name	Amount of Consultancy	Title of Project	Categorised by the Nature of Consultancy	Total Number of Engagements
PwC	$ 557,000	Implementation of new accounting standard AASB 16 Leases	Finance & Accounting	1

Three consultants whose fees were less than $50,000 were also engaged, with fees totalling $78,000. These engagements related to a financial services advice.

11. Disability inclusion action plans

As part of DFSI, Property NSW supports the department's Disability Inclusion Action Plan 2015-18. The plan sets out how DFSI will work towards:

- the development of positive community attitudes and behaviours towards people with a disability
- the creation of more liveable communities for people with a disability
- the achievement of a higher rate of meaningful employment participation by people with a disability through inclusive employment practices
- more equitable access to mainstream services for people with a disability through better systems and processes.

12. Promotion

No employees travelled overseas on official business during 2018-19.

13. Consumer response

Property NSW encourages feedback from the general public via an email address on its corporate website, www.property.nsw.gov.au. We received 817 compliments, complaints and enquiries through this channel during the reporting period. Property NSW responded efficiently and effectively to feedback received from consumers.

Further, in line with the Premier's Priority to improve government services, Property NSW introduced a Complaint Handling Improvement Program (CHIP) module on its website. The number of complaints received via this platform during the year significantly reduced from 14 in 2017-18 to 5 in 2018-19. In addition, one suggestion and two compliments were also received.

Property NSW has mechanisms in place for its government agency clients to provide feedback relating to base building issues via the Property NSW Customer Service Request Centre at https://jll-propertynsw.corrigo.com/Customer/Home.

The portal continues as the central service point for agency property management issues. It allows government agency staff to log and track maintenance requests online in real time for Property NSW managed buildings.

Property NSW also gauges client response to its service delivery through its client satisfaction survey (CSAT). The most recent Customer Satisfaction Survey results showed a combined satisfaction score of 69%[23] noting that:

- 60% of respondents believed that Property NSW delivers value for their business; and
- 69% of respondents believed that Property NSW delivers value for the State of NSW.

---

23 June 2018 Customer Satisfaction Survey Results

14. Payment of accounts

The table below sets out Property NSW's account payment performance for 2018-19.

ACCOUNT PAYMENT PERFORMANCE 2018-19	1ST QTR	2ND QTR	3RD QTR	4TH QTR	Grand Total
ALL SUPPLIERS					
Value of Invoices Paid ($'000)					
Paid On / Before Due Date	150,799	157,053	156,750	162,577	**627,179**
<30 Days Past Due Date	4,383	244	654	335	**5,616**
>30<60 Days Past Due Date	475	504	101	47	**1,126**
>60<90 Days Past Due Date	195	135	22	16	**367**
>90 Days Past Due Date	159	375	796	446	**1,776**
Total Value of Invoices Paid ($'000)	**156,010**	**158,312**	**158,321**	**163,421**	**636,064**
% Paid on Time - By Value	**97%**	**99%**	**99%**	**99%**	**99%**
Number of Invoices Paid					
Paid On / Before Due Date	11,433	12,417	11,810	12,518	**48,178**
Paid Past Due Date	1,646	1	574	542	**2,763**
Total Number of Invoices Paid	**13,079**	**12,418**	**12,384**	**13,060**	**50,941**
% Paid on Time - By Number	**87%**	**100%**	**95%**	**96%**	**95%**
Average Days to Pay					
Payment within 30 Days	4	3	2	2	-
Payment exceeding 30 Days	98	168	117	187	-
Interest Paid					
Number of Payments for Interest on Overdue Invoices					
Interest Paid on Overdue Invoices					
SMALL BUSINESS SUPPLIERS					
Value of Invoices Paid ($'000)					
Paid On / Before Due Date	4	1	29	356	**391**
<30 Days Past Due Date	0	0	0	16	**16**
>30<60 Days Past Due Date	0	0	0	0	**0**
>60<90 Days Past Due Date	0	0	0	0	**0**
>90 Days Past Due Date	0	0	53	0	**53**
Total Value of Invoices Paid ($'000)	**4**	**1**	**82**	**372**	**459**
% Paid on Time - By Value	**100%**	**100%**	**35%**	**96%**	**85%**
Number of Invoices Paid					
Paid On / Before Due Date	39	6	9	20	**74**
Paid Past Due Date	0	0	1	4	**5**
Total Number of Invoices Paid	**39**	**6**	**10**	**24**	**79**
% Paid on Time - By Number	**100%**	**100%**	**90%**	**83%**	**94%**
Average Days to Pay					
Payment within 30 Days	2	9	10	6	-
Payment exceeding 30 Days	0	0	0	0	-
Interest Paid					
Number of Payments for Interest on Overdue Invoices	-	-	-	-	-
Interest Paid on Overdue Invoices	-	-	-	-	-

15. Risk management and insurance activities

Risk Management

Property NSW constantly monitors its environment to assess the risks in its operations and uses its resources to manage these risks. Property NSW's approach to risk management seeks to balance risk, cost and growth for the benefits of its stakeholders, by:

- Adopting the DFSI Integrated Risk & Opportunity Management Policy, Risk and Resilience Framework to manage strategic and business risks, which is consistent with Property NSW's objectives and responsibilities to its stakeholders
- Development of a Risk Management guideline to support the implementation of the DFSI Framework
- Assessing the impact of proposed changes to laws, regulations and industry codes
- Reporting risks to the Audit and Risk Committee, relevant Boards, Executive Committee and senior leadership team

The DFSI Risk and Resilience Framework has been developed in alignment with:

- NSW Treasury Policy Paper (TPP- 15-03): *Internal Audit and Risk Management Policy for NSW Public Sector;* and
- Australian/New Zealand Risk Management Standard (AS/NZS ISO31000:2009): *Risk Management Principles and Guidelines*

Key achievements during 2018-19

- Integration of risk management with strategic and business planning processes
- Integrated risk management system
- Effective risk governance and reporting (Strategic & Operational risk)
- Successfully conducted Business Continuity desktop walkthrough exercise and semi-annual call-tree test. Completed annual compliance attestation towards mandatory legislative obligations

Insurance Arrangements and Activities

During the period of 2018-19, Property NSW had insurance arrangements in place for all its assets and major risks. Insurable risk cover was provided through participation in the NSW Treasury Managed Fund (TMF), a NSW Government self-insurance scheme. Insurable risk exposures covered through the TMF includes:

- Workers compensation
- Legal including liability classes like public liability, products liability, professional indemnity, directors and officer liability
- Property including buildings, plant, equipment, and consequential loss
- Motor vehicle
- Other miscellaneous losses, such as the cost of employee dishonesty, personal accident and protection for overseas travel

The main exposures that are not included are:

- illegal activities
- wear and tear, and inherent vice (Note: *Inherent Vice is an exclusion found in most property insurance policies eliminating coverage if there is a hidden defect in a good or property which causes or contributes to its deterioration, damage, or wastage)*

- pollution (not being sudden and accidental pollution)

Number of claims and net incurred costs
Insurance claims and net incurred cost for Property NSW for financial year 2017-18 and 2018-19 are shown in the table below.

	Number of Claims		Net incurred cost ($)	
	2017-18	**2018-19**	**2017-18**	**2018-19**
Workers Comp	5	6	$170,797	$176,871
Property	5	68	$697,340	$2,001,396
Liability	6	2	$263,572	$55,000
Motor vehicle	1	1	$6,047	$1,705
Miscellaneous	-	-	-	-
Total	**17**	**77**	**$1,137,756**	**$2,234,972**

All incurred claims and relevant costs were sourced from the TMF database. They are based on the claims lodged and relevant assessment to date. The final costs and claim numbers may vary due to the timing of loss incurred, claims reported and the outcome of negotiated settlement.

The increase in property claims for 2018-19 has come from the substantial increase in Police residential housing portfolio.

16. Internal audit and risk management policy attestation

Property and Advisory Group Audit and Risk Committee (ARC)

Property NSW, as part of Property and Advisory Group (PAG), had an ARC in place during the 2018-19 financial year. The ARC provides independent assistance to the following participating entities by monitoring, reviewing and providing advice about their governance processes, risk management and control framework, and their external accountability requirements:

- Property NSW
- Teacher Housing Authority of NSW
- Waste Assets Management Corporation
- Place Management NSW
- Luna Park Reserve Trust

The above participating entities have entered into a collaborative shared arrangement and have established a shared ARC in compliance with:

- NSW Treasury Policy Paper (TPP15-03): *Internal Audit and Risk Management Policy for NSW Public Sector;* and
- NSW Treasury Policy Paper (TPP16-02): *Guidance on Shared Arrangements and Subcommittees for Audit and Risk Committees*.

The committee met seven times during the 2018-19 financial year.

DFSI, while not a participating entity, has a special role in providing audit, risk and secretariat services to the committee and the participating entities. This shared arrangement aims to maintain an appropriate level of internal oversight for all participating entities in assurance and independent advice, while minimising the associated administration, financial costs and resources.

Membership

The Chair and members of the Audit and Risk Committee are:

- Carol Holley, Independent Chair, from 2 December 2015 to 1 December 2020
- Dianne Hill, Independent Member, from 1 February 2016 to 31 January 2021
- Nirmal Hansra, Independent Member, from 20 December 2017 to 19 December 2020

17. Internal Audit and Risk Management Attestation Statement for 2018-19 Financial Year

Internal Audit and Risk Management Attestation Statement for the 2018-2019 Financial Year for Property NSW

I, Sam Romaniuk, A/Chief Executive Officer, am of the opinion that Property NSW has internal audit and risk management processes in operation that are compliant with the eight (8) core requirements set out in the *Internal Audit and Risk Management Policy for the NSW Public Sector*, specifically:

Core Requirements		For each requirement, please specify whether compliant, non-compliant, or in transition
Risk Management Framework		
1.1	The agency head is ultimately responsible and accountable for risk management in the agency	Compliant
1.2	A risk management framework that is appropriate to the agency has been established and maintained and the framework is consistent with AS/NZS ISO 31000:2009	Compliant
Internal Audit Function		
2.1	An internal audit function has been established and maintained	Compliant
2.2	The operation of the internal audit function is consistent with the International Standards for the Professional Practice of Internal Auditing	Compliant
2.3	The agency has an Internal Audit Charter that is consistent with the content of the 'model charter'	Compliant
Audit and Risk Committee		
3.1	An independent Audit and Risk Committee with appropriate expertise has been established	Compliant
3.2	The Audit and Risk Committee is an advisory committee providing assistance to the agency head on the agency's governance processes, risk management and control frameworks, and its external accountability obligations	Compliant
3.3	The Audit and Risk Committee has a Charter that is consistent with the content of the 'model charter'	Compliant

Membership

The Chair and members of the Audit and Risk Committee are:

- Carol Holley, Independent Chair, from 2 December 2015 to 1 December 2020
- Dianne Hill, Independent Member, from 1 February 2016 to 31 January 2021
- Nirmal Hansra, Independent Member, from 21 December 2017 to 20 December 2020.

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

- Luna Park Reserve Trust
- Place Management NSW
- Property NSW
- Teacher Housing Authority
- Waste Assets Management Corporation.

Sam Romaniuk
A/Chief Executive Officer
Property NSW

Date: 16/7/19

Agency Contact Officer
Andrew Pilbeam
Chief Audit Executive, 9219 3077
andrew.pilbeam@finance.nsw.gov.au

18. Digital information security policy attestation

Cyber Security Annual Attestation Statement for the 2018-2019 Financial Year for Property NSW

I, Sam Romaniuk, am of the opinion that Property NSW has managed cyber security risks in a manner consistent with the Mandatory Requirements set out in the NSW Government Cyber Security Policy.

Risks to the information and systems of the Property NSW have been assessed and are managed.

Governance is in place to manage the cyber-security maturity and initiatives of Property NSW.

There exists a current cyber incident response plan for Property NSW which has been tested during the reporting period.

An independent review/audit/certification of the Agency's ISMS or effectiveness of controls or reporting against the mandatory requirements of the NSW Cyber Security Policy was undertaken by Protiviti and found to be adequate or being properly addressed in a timely manner.

Sam Romaniuk
Acting Chief Executive Officer
Property NSW

19. Multicultural Policies and Services Program

Property NSW has multicultural policies and service programs guided by DFSI's Diversity and Inclusion Strategy, Aboriginal Workforce Strategy, Disability Inclusion Action Plan and the Government Sector Employment Act 2013, which prioritises diversity in the workforce.

Property NSW promotes multiculturalism and diversity through a range of initiatives, including but not limited to:

- supporting NAIDOC Week through a series of events and initiatives, including a public ceremony featuring members of the Metropolitan Aboriginal Land Council
- promoting diversity initiatives, including 'Wear it Purple Day', to support the LGBTQI+ community
- Establishment of the Women's Network 'ICAN'
- Events held for IDPwD, IWD, Pride and Harmony Day
- the establishment of a Diversity Working Group within Property and Advisory Group (PAG), with an initial focus on women in leadership, and improving PAG's performance against key metrics including Indigenous, English as a second language and disability employee representation

In addition, the PAG revised Corporate Plan includes a new KPI that women represent at least 35 per cent of the leadership team, an interim milestone to achieving DFSI's target of 50 per cent of women in leadership roles.

20. Work Health and Safety (WHS)

In 2018-19, Property NSW continued to take a proactive approach in managing the safety of all employees, other workers and visitors to its properties, sites and activations.

Specific WHS activities undertaken in 2018-19 include:

- successfully rolled-out the Integrum incident management system to whole of PAG
- commenced trend analysis of incidents, monitoring of Contractor WHS activities and assessment of WHS risks across Property NSW
- participating in the Harrington St Operational Readiness Working Group
- conducted regular fire and shelter in place drills and organising training for fire wardens
- assisting in the coordination of health and wellbeing initiatives such as the flu vaccination program
- providing support to First Aid officers with regular training and consultation

WHS incidents – Property and Advisory Group (PAG)
The following number of incidents were reported during 2018-19:

- 24 staff Incidents compared to 47 in 2017-18.

In the reporting period, there were two (2) SafeWork NSW notifiable incidents or dangerous occurrences affecting staff.

WHS induction and training
PAG staff members were required to complete two WHS mandatory courses:

- Introduction to Health and Safety; and
- WHS Due Diligence for managers.

As of 30 June 2019, course completion by eligible workers across PAG was 100 per cent.

WHS consultation

The WHS Consultative Committee has continued to be active in consultation upon WHS issues.

- The PAG WHS Committee reviewed and approved a number of updated Safe Operating Procedures coinciding with the roll out of the Integrum Incident Management software system.
- Improved staff participation in WHS consultation via effective WHS committee and HSR.
- Conducted WHS Forum during a Safety week program that included an awareness session on Mental health.
- Conducted executive interactions with Senior Managers to demonstrate leadership by example and increase safety awareness.
- Delivered timely WHS information with staff via multiple means of communication to raise awareness.

21. Budgets

Performance against budget

Property NSW delivered a strong result over 2018-19. While the net result for 2018-19 shows an unfavourable variance relative to budget, this was largely due to unbudgeted grants payments made to the Restart NSW Fund and grants to local government. Property NSW successfully completed the sale of various properties within its portfolio, with revenues finishing the year $10.9 million ahead of budget.

The strong property market has led to record low vacancy rates and continued tightening supply, especially within CBD and Metro areas.

Budget overview

Property NSW is forecasting a $103.5 million deficit for the 2019/20 financial year.

Capital grant funding of $6 million in 2019/20 is to be provided to Property NSW for delivery of the Building Refurbishment Plan relating to the owned property portfolio.

The new accounting standard AASB16 Leases commenced 1 January 2019 and will be in place and have the first full year application in 2019/20. It has significant impact on budgeted financial information, which contributes to most of the forecast deficit for the 2019/20 financial year.

	2017/18 actual $'000	**2018/19 actual $'000**	2018/19 budget $'000	2018/19 variance $'000	**2019/20 budget $'000**
Property NSW					
Expenses	829,393	**705,058**	680,760	24,298	443,546
Revenues	712,362	**703,467**	692,602	10,865	339,711
Other gains/(losses)	121,114	**6,279**	13,822	(7,543)	309
Net operating result - surplus / (deficit)	**4,083**	**4,688**	**25,663**	**(20,975)**	**(103,526)**

22. Additional matters for inclusion

Privacy and Personal Information Protection Act 1998 (PPIP Act)

The *Privacy and Personal Information Protection (PPIP) Act 1998* contains 12 information protection principles regulating the collection, use and disclosure of personal information by NSW public sector agencies. These principles ensure that agencies collect personal information for lawful purposes, and that such information is protected from misuse and unauthorised release.

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

Additional information about how Property NSW manages its obligations under the PPIP Act is available at http://www.property.nsw.gov.au/government-property-nsw-privacy-statement.

Accessing this report

This report can be accessed at https://www.property.nsw.gov.au/about-us

23. Numbers and remuneration of senior executives

See Human Resources above.

24. Credit card certification

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

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

25. Government Information (Public Access) Act 2009

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

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

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

Review of proactive release program

Under section 7(3) of the GIPA Act, agencies must review their proactive release of government information program at least once every 12 months.

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

26. Public Interest Disclosures

As staff members are employees of DFSI, Property NSW has adopted and adhered to the DFSI Fraud and Corruption Internal Reporting Policy. All staff members are advised of this policy by means of the Code of Conduct and intranet access.

There were no public interest disclosures made by Property NSW officials for the period 1 July 2018 to 30 June 2019.

27. Exemptions and nil reports

Reporting requirement	Reason for exemption
Disclosure of controlled entities	Property NSW does not control any entities of the kind referred to in section 39 (1A) of the *Public Finance and Audit Act 1983.*
Disclosure of subsidiaries	Property NSW does not control or hold shares in any subsidiaries within the meaning of *the Corporations Act 2001* (Cth.).
Funds granted to Non-Government Organisations	Property NSW did not make any grants to any non-government community organisations during the reporting period.
Agreements with Multicultural NSW	Property NSW does not have any agreements with Multicultural NSW under the *Multicultural Act 2000*.
Investment Performance	All Property NSW investment powers are in accordance with Part 1 of Schedule 4 of the *Public Authorities (Financial Arrangements) Act 1987*. However, all cash reserves are held in Treasury Banking System (TBS) bank accounts.
Implementation of Price Determination	Property NSW is not subject to determinations or recommendations of the Independent Pricing and Regulatory Tribunal of NSW.
Liability management performance	Not applicable, as Property NSW does not have a level of debt greater than $20 million.
Land Disposal	No properties with a value greater than $5 million were disposed of during 2018-19 without going to public auction or tender. Property NSW keeps a register of government contracts. All contracts greater than $150,000 are released on the site https://tenders.nsw.gov.au/.
Requirements arising from employment arrangements	N/A
Research and Development	N/A

Property NSW

Annual Report 2018-19

- Financial statements for the year ended 30 June 2019

INDEPENDENT AUDITOR'S REPORT

Property NSW

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Property NSW, which comprises the Statement of Comprehensive Income for the year ended 30 June 2019, the Statement of Financial Position as at 30 June 2019, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, notes comprising a Statement of Significant Accounting Policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of Property NSW as at 30 June 2019, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015

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

Basis for Opinion

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

I am independent of Property NSW in accordance with the requirements of the:

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

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

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

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

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

Other Information

Property NSW's annual report for the year ended 30 June 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Chief Executive Officer of Property NSW is responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprises the Statement by the Chief Executive Officer.

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

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

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

I have nothing to report in this regard.

The Chief Executive Officer's Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does not provide assurance:

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

Nathan Carter
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

30 September 2019
SYDNEY

Property NSW

Financial Statements

For the Year Ended 30 June 2019

Statement by Chief Executive Officer

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

(a) The accompanying financial statements exhibit a true and fair view of the Property NSW's financial performance for the financial year ended 30 June 2019 and financial position as at 30 June 2019; and

(b) The financial statements comply with applicable Australian Accounting Standards (which include Australian Accounting Interpretations), the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2015* and the Treasurer's Directions mandated by the Treasurer.

Further, I am not aware of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

Sam Romaniuk
Acting Chief Executive Officer
Property NSW

Date: 27 September 2019

PROPERTY NSW

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019

	Note	Actual 2019 $'000	Budget 2019 $'000	Actual 2018 $'000
Continuing Operations				
Expenses excluding losses				
Operating Expenses:				
Personnel services	2(a)	49,377	49,538	45,791
Other operating expenses	2(b)	603,550	580,505	563,265
Depreciation and amortisation	2(c)	19,486	25,634	24,958
Grants and subsidies	2(d)	27,221	20,275	189,659
Finance costs	2(e)	5,424	4,808	5,720
Total Expenses Excluding Losses		**705,058**	**680,760**	**829,393**
Revenue				
Sale of goods and services	3(a)	624,425	625,113	608,509
Investment revenue	3(b)	5,642	5,880	5,839
Grants and contributions	3(c)	72,750	60,959	97,414
Other revenue	3(d)	650	650	600
Total Revenue		**703,467**	**692,602**	**712,362**
Gain/(loss) on disposal	4(a)	8,884	14,122	128,108
Other gains/(losses)	4(b)	(2,605)	(300)	(6,994)
NET RESULT		**4,688**	**25,663**	**4,083**
Other Comprehensive Income				
Items that will not be reclassified to net result				
Net increase/(decrease) in property, plant and equipment revaluation surplus	17(i)	107,850	-	92,615
Total other comprehensive income		**107,850**	**-**	**92,615**
TOTAL COMPREHENSIVE INCOME		**112,538**	**25,663**	**96,698**

The accompanying notes form part of these financial statements.

PROPERTY NSW

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Note	Actual 2019 $'000	Budget 2019 $'000	Actual 2018 $'000
ASSETS				
Current Assets				
Cash and cash equivalents	6	65,853	30,888	164,483
Receivables	7	121,443	109,182	119,465
Non-Current assets held for sale	8	8,339	-	36,877
Total Current Assets		**195,635**	**140,070**	**320,825**
Non-Current Assets				
Receivables	7	275,598	243,959	249,888
Property, plant and equipment				
Land and buildings	9	602,834	989,409	666,499
Plant and equipment	9	5,972	1,517	6,960
Finance lease assets	9	293,184	260,000	262,600
Work in progress	9	298,241	-	181,631
Total property, plant and equipment		1,200,231	1,250,926	1,117,690
Intangible assets	11	-	2,810	3,230
Other	12	11,763	10,300	10,300
Total Non-Current Assets		**1,487,592**	**1,507,994**	**1,381,108**
Total Assets		**1,683,227**	**1,648,063**	**1,701,933**
LIABILITIES				
Current Liabilities				
Payables	13	64,054	39,800	63,358
Provisions	15	49,943	41,579	41,925
Other	16	7,946	10,702	42,371
Total Current Liabilities		**121,943**	**92,082**	**147,654**
Non-Current Liabilities				
Payables	13	11,307	-	10,694
Borrowings	14	34,398	34,398	34,398
Provisions	15	168,198	242,286	169,344
Other	16	47,442	33,583	33,583
Total Non-Current Liabilities		**261,345**	**310,267**	**248,019**
TOTAL Liabilities		**383,288**	**402,349**	**395,673**
Net Assets		**1,299,939**	**1,245,715**	**1,306,260**
EQUITY				
Asset revaluation reserve	17	365,425	300,039	292,817
Accumulated funds	18	934,514	945,676	1,013,443
Total Equity		**1,299,939**	**1,245,715**	**1,306,260**

The accompanying notes form part of these financial statements.

PROPERTY NSW

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

	Note	Accumulated Funds $'000	Asset Revaluation Reserve $'000	Total Equity $'000
Balance at 1 July 2018		**1,013,443**	**292,817**	**1,306,260**
Net Result for the Year		4,688	-	4,688
Other comprehensive income				
Transfer of asset revaluation reserve on disposed assets	17(i)	35,242	(35,242)	-
Net increase/(decrease) in property, plant and equipment revaluation surplus	17(i)	-	107,850	107,850
Total other comprehensive income		**35,242**	**72,608**	**107,850**
Total comprehensive income for the year		**39,930**	**72,608**	**112,538**
Transactions with owners as owners				
Financial distributions	18(i)	(8,651)	-	(8,651)
Net increase/(decrease) in net assets from equity transfers	18(ii)	(110,208)	-	(110,208)
Total transactions with owners as owners		**(118,859)**	**-**	**(118,859)**
Balance at 30 June 2019		**934,514**	**365,425**	**1,299,939**
Balance at 1 July 2017		**918,081**	**222,888**	**1,140,969**
Net Result for the Year		4,083	-	4,083
Other comprehensive income				
Transfer of asset revaluation reserve on disposed assets	17	22,686	(22,686)	-
Net increase/(decrease) in property, plant and equipment revaluation surplus	17(i)	-	92,615	92,615
Total other comprehensive income		**22,686**	**69,929**	**92,615**
Total comprehensive income for the year		**26,769**	**69,929**	**96,698**
Transactions with owners as owners				
Financial distributions	18(i)	(36,338)	-	(36,338)
Net increase/(decrease) in net assets from equity transfers	18(ii)	104,931	-	104,931
Total transactions with owners as owners		**68,593**	-	**68,593**
Balance at 30 June 2018		**1,013,443**	**292,817**	**1,306,260**

The accompanying notes form part of these financial statements.

PROPERTY NSW

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

	Note	Actual 2019 $'000	Budget 2019 $'000	Actual 2018 $'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
Employee related		(52,569)	(49,538)	(46,421)
Grants and subsidies		(27,221)	(19,515)	(189,659)
Finance costs		(4,809)	(4,808)	(4,809)
Property expenses paid		(626,319)	(593,541)	(534,742)
Total Payments		**(710,918)**	**(667,402)**	**(775,631)**
Receipts				
Sale of goods and services		622,315	606,743	603,933
Interest received		5,642	5,880	5,839
Grants and contributions		72,750	60,959	97,414
Total Receipts		**700,707**	**673,582**	**707,186**
NET CASH FLOWS FROM OPERATING ACTIVITIES	6(b)	**(10,211)**	**6,180**	**(68,445)**
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of property, plant and equipment		(129,388)	(131,917)	(19,469)
Proceeds from sale of property, plant and equipment		49,620	41,191	205,266
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(79,768)**	**(90,726)**	**185,797**
CASH FLOWS FROM FINANCING ACTIVITIES				
Financial distributions to the state government	18(a)	(8,651)	-	(36,338)
NET CASH FLOWS FROM FINANCING ACTIVITIES		**(8,651)**	**-**	**(36,338)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(98,630)**	**(84,546)**	**81,014**
Opening cash and cash equivalents		164,483	115,434	83,469
CLOSING CASH AND CASH EQUIVALENTS	6(a)	**65,853**	**30,888**	**164,483**

The accompanying notes form part of these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

Property NSW (PNSW) was established under the Property NSW Act 2006 to improve the management of the NSW Government's owned and leased real property portfolio and to become a central agency with a whole-of-government focus on the acquisition, disposition and better utilisation of real property assets. PNSW commenced operations on 1 September 2006 and is domiciled in Australia. Its principal business address is Foreshore House, 66 Harrington Street, Sydney NSW 2000. PNSW is a not-for-profit entity as profit is not its principal objective. PNSW is consolidated as part of the NSW Total State Sector Accounts.

Under the Act, PNSW is unable to employ staff. However, to enable it to exercise its functions, PNSW can obtain personnel services from Government agencies who are able to engage staff under Part 4 of the Government Sector Employment Act 2013. During 2018-19, personnel services were provided by the Department of Finance, Services and Innovation (DFSI). The DFSI, a principal department, is a separate reporting entity and does not control PNSW for financial reporting purposes.

These financial statements have been authorised for issue by PNSW's Chief Executive Officer on 27 September 2019.

(b) Basis of Preparation

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

(i) applicable Australian Accounting Standards (which include Australian Accounting Interpretations);
(ii) the requirements of the *Public Finance and Audit Act 1983* and *Public Finance and Audit Regulation 2015*; and
(iii) Financial Reporting Directions mandated by the Treasurer.

Property, plant and equipment, assets held for sale and investment property are measured at fair value. Borrowings are initially measured at the fair value of the consideration received and subsequently measured at amortised cost using the effective interest method. Other financial report items are prepared in accordance with the historical cost convention except where specified otherwise.

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

In the application of PNSW’s accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are recognised, or in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Judgements, key assumptions and estimations made by management are disclosed in the relevant notes to the financial statements.

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

(c) Statement of Compliance

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

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

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

(i) the amount of GST incurred by PNSW 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 expenses;
(ii) receivables and payables are stated with the amount of GST included; and
(iii) commitment amounts disclosed in the financial statements include the amount of GST recoverable from, or payable to, the Australian Taxation Office.

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

(e) Comparative Information

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

(f) Fair Value Measurement and Hierarchy

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

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

Level 1 – quoted prices in active markets for identical assets/liabilities that PNSW can access at the measurement date.

Level 2 – inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.

Level 3 – inputs that are not based on observable market data (unobservable inputs).

PNSW recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. Refer to Notes 9, 10 and 19 for further disclosures regarding fair value measurements of financial and non-financial assets.

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

(i) Effective for the First Time in 2018-19

The accounting policies applied in 2018-19 are consistent with those of the previous financial year except as a result of the following revised Australian Accounting Standard that has been applied for the first time in 2018-19:

- AASB 9 "Financial Instruments". The adoption of AASB 9 has fundamentally changed PNSW's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking Expected Credit Loss (ECL) approach. AASB 9 requires PNSW to recognise an allowance for ECLs for all debt instruments not held at fair value through profit and loss and contract assets.

The adoption of the above revised Australian Accounting Standard has not had any significant impact on PNSW.

(ii) Issued but Not Yet Effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods.

- AASB 15 Revenue from Contracts with Customers, AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15 and AASB 1058 Income of Not-for-Profits

  AASB 15 Revenue from Contracts with Customers (AASB 15) is effective for reporting periods commencing on or after 1 January 2019. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers. Revenue is recognised when control of goods or services is transferred to the customer at amounts that reflect the consideration to which PNSW expects to be entitled in exchange for transferring the goods or services to the customer. Under AASB 118 Revenue (AASB 118), revenue recognition is currently based on when risks and rewards are transferred.

  AASB 1058 Income of Not-for-Profits (AASB 1058) is effective for reporting periods commencing on or after 1 January 2019 and will replace most of the existing requirements in AASB 1004 Contributions (AASB 1004). The scope of AASB 1004 is now limited mainly to parliamentary appropriations, administrative arrangements and contributions by owners. Under AASB 1058, PNSW will need to determine whether a transaction is consideration received below fair value principally to enable PNSW to further its objectives (accounted for under AASB 1058) or a revenue contract with a customer (accounted for under AASB 15).

  PNSW will adopt AASB 15 and AASB 1058 on 1 July 2019 through application of the full retrospective transition approach. Recognition and measurement principles of the new standards will be applied for the current year and comparative year as though AASB 15 and AASB 1058 had always applied.

  The impacts to balances resulting from the adoption of AASB 15 and AASB 1058 have been assessed by PNSW as not being significant.

- AASB 16 Leases

  AASB 16 Leases (AASB 16) is effective from reporting periods commencing on or after 1 January 2019. PNSW has assessed the estimated impact that initial application of AASB 16 will have on its financial statements, as described below. The estimated impact represents management's current best estimate and is still under review. The actual impact of adopting the standard may change as a result of further review of underlying lease data and reassessment of management's judgement on whether it is reasonably certain that lease extension options will or will not be exercised for individual leases.

  For lessees, AASB 16 will result in most leases being recognised on the Statement of Financial Position, as the distinction between operating and finance leases is largely removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised at the commencement of the lease. The only exceptions are short-term and low-value leases. AASB 16 will therefore increase assets and liabilities reported on the Statement of Financial Position. It will also increase depreciation and interest expenses and reduce operating lease rental expenses on the Statement of Comprehensive Income. Expenses recognised in the earlier years of the lease term will be higher as the interest charges will be calculated on a larger lease liability balance. Existing finance leases are not expected to be significantly impacted from the transition to AASB 16.

  The accounting for lessors under AASB 16 will not significantly change. PNSW will however review the classification of sub-leases in which PNSW is a lessor. Finance lease receivables will be recognised for sub-leases reclassified as finance leases.

PNSW will adopt AASB 16 on 1 July 2019 through application of the partial retrospective approach, where only the current year is adjusted as though AASB 16 had always applied. Comparative information will not be restated. PNSW will also adopt the practical expedient whereby the fair value of the right-of-use asset will be the same as the lease liability at 1 July 2019.

Based on the impact assessments PNSW has undertaken on currently available information, PNSW estimates additional lease liabilities of $2.8 billion and right-of-use assets of $2.8 billion will be recognised as at 1 July 2019 for leases in which PNSW is a lessee. Most operating lease expenses will be replaced by depreciation of the right of use asset and interest on the lease liability.

PNSW will also be required to reclassify sub-leases as either finance leases or operating leases for leases in which PNSW is a lessor. PNSW estimates that sub-leases reclassifications will result in the recognition of finance leases receivable of $2.2 billion and derecognition of right-of-use assets of $2.2 billion as at 1 July 2019. Majority operating lease income will be replaced by finance income. The net impact on the statement of comprehensive income is estimated to be around $22 million.

The impact of the following standard in the period of initial application is not expected to be significant.

Standard	**Applicable to Annual Reporting Periods Beginning on or after**
AASB 1059 "Service Concession Arrangements: Grantors"	1 January 2020

2. EXPENSES EXCLUDING LOSSES

(a) Employee Related Expense

	2019 $'000	**2018 $'000**
Salaries and Wages (Including Recreation Leave)	37,143	34,447
Contractors	4,886	5,938
Superannuation (Defined Contribution Plans)	2,560	2,436
Long Service Leave	598	708
Worker's Compensation Insurance	(52)	100
Payroll Tax and Fringe Benefits Tax	2,264	2,057
Voluntary Redundancies	1,978	105
	49,377	**45,791**

(i) The employee Related Expense is the expense incurred by PNSW on personnel services provided to it by the Department of Finance, Services and Innovation (DFSI). Under the Property NSW Act 2006, PNSW is unable to employ staff (Note 1(a)). PNSW provides these personnel services to other PAG entities and recovers these costs as a service fee.

As PNSW is not an employer, the disclosure requirements of AASB 119 "Employee Benefits" in respect of employee benefits do not apply. Accordingly, PNSW does not recognise any provision for employee entitlements.

(b) Other Operating Expense

	2019 $'000	2018 $'000
Property Head Lease Expense (i)	533,285	487,114
Other Property Related Expenses (ii)	34,593	37,990
Other Operating Expenses (iii)	35,672	38,161
	603,550	**563,265**

(i) Property Head Lease Expense (i)

	2019 $'000	2018 $'000
Minimum Lease Payments (a)	448,710	404,855
Rental Expenses Arising from Sub-Leases (b)	78,775	76,503
Contingent Rentals (c)	16,211	14,764
	543,696	**496,122**
Less Amortisation of Lessor Lease Incentives (Note 16(b))	(10,411)	(9,008)
	533,285	**487,114**

(a) Operating lease payments are recognised in the Net Result and charged on a straight-line basis over the lease term. The majority of head leased office accommodation property is sub-leased to government agencies. The terms of the operating head leases generally range from 3 to 15 years with the option of renewal of further terms. The lease agreements allow Lessors the right to review rents on specified dates.

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

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

(d) Lease incentives received which are less than $0.5 million are recognised directly in the Net Result in the year in which they are received. Lease incentives received which are greater than this amount are recognised in the Statement of Financial Position and are allocated to the Net Result over the lease term (Notes 16).

(ii) Other Property Related Expenses

	2019 $'000	2018 $'000
Management Fees (a)	7,963	7,797
Gas and Electricity	1,452	2,440
Maintenance (b)	16,918	15,141
Cleaning	2,592	3,251
Rates and Levies	918	2,511
Security	1,035	2,009
Valuations	204	609
Bad Debts	-	328
Other (c)	3,511	3,904
	34,593	**37,990**

(a) Management Fees represent fees paid to external service providers for property management services of owned and leased properties.

(b) Maintenance expenses relate to owned properties and include ad-hoc and scheduled maintenance services on lifts, air conditioning units, fire protection systems, plumbing, electrical and other areas. There was no personnel services maintenance expense in 2018-19 (nil in 2017-18).

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

PNSW's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self-insurance for Government entities. The expense (premium) is determined by the Fund Manager based on past claim experience. Properties owned by PNSW are insured for their replacement value. Management reviews the insurance coverage each year.

(iii) Other Operating Expenses

	2019 $'000	2018 $'000
Auditor's Remuneration - Audit of Financial Statements	221	235
Legal Fees	368	105
Consultants	538	180
Office Accommodation Expenses	4,393	3,038
Other Contractors	2,173	5,199
Service Fees - DFSI (a)	10,958	14,678
Computer Costs	6,608	2,576
Training and Development	1,313	334
Service Fees - Other (b)	6,993	7,603
Other (c)	2,107	4,213
	35,672	**38,161**

(a) Service Fees - DFSI include fees charged by DFSI for corporate services provided under the DFSI Corporate Operating Model arrangements and by Land and Property Information for system hosting services provided in relation to the Government Property Register.

(b) Service Fees - Other are fees charged by GovConnect relating to outsourced services such as payroll, information technology and central accounting transaction services.

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

(c) Depreciation and Amortisation

	2019 $'000	2018 $'000
Depreciation of Property, Plant and Equipment (Note 9(b))	14,796	20,281
Depreciation of Finance Lease Assets (Note 9(b))	2,915	2,243
Amortisation of Intangible Assets (Note 11(b))	1,775	2,434
	19,486	**24,958**

Recognition and Measurement - Depreciation and Amortisation

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 PNSW. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items.

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

(a) physically exist;
(b) are material enough to justify separate tracking;
(c) are capable of having a reliable value attributed to them; and
(d) have differing estimated useful lives to the extent that failure to depreciate them separately would result in a material difference in the annual depreciation expense for PNSW.
The useful lives of PNSW's items of property, plant and equipment are based on the following:

Asset Class	2019 Years	2018 Years
Buildings		
Structure	40	40
Air Conditioning Units	20	20
Lifts	30	30
Computer Equipment and Software	3	3
Furniture and Fittings	10	10
Plant and Equipment and Office Equipment	5	5
Leasehold Improvements	6	6

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

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

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

(d) Grants and Subsidies

	2019 $'000	2018 $'000
Grants to the Museum of Contemporary Art (i)	2,287	2,269
Contributions to the Restart NSW Fund (ii)	23,050	187,390
Grants to local Government ((iii) Note 8(b) and 9(b))	1,884	-
	27,221	**189,659**

(i) Grants of $2.3 million in 2018-19 ($2.3 million in 2017-18) represent payments made to the Museum of Contemporary Art to replace the existing rental guarantee subsidies paid by Place Management NSW pursuant to its lease to the Museum of Contemporary Art.

(ii) Contributions of 2018-19 represent payments made to the Restart NSW Fund (NSW Government's dedicated infrastructure fund) from the net sale proceeds of property assets sold by PNSW. The payments are based on a NSW Government decision that the net sale proceeds of property assets sold by all DFSI entities are to be paid directly into the Restart NSW Fund from 1 July 2015 onward except where the NSW Government has made a separate decision to allocate the net sale proceeds to fund other programs.

(iii) Grants to local government of $1.9 million in 2018-19 (Nil in 2017-18) represent the properties transferred to local councils for community use under Community Use Program (CUP).

(e) Finance Costs

	2019 $'000	2018 $'000
Finance Lease Interest Charges (Note 14(b))	4,809	4,809
Unwinding of Discount Rate on Land Remediation Provision (Note 15(b))	615	911
	5,424	**5,720**

Finance and borrowing costs are recognised as expenses in the period in which they are incurred.

3. REVENUE

Recognition and Measurement

Revenue is measured at the fair value of the consideration or contribution received or receivable. Additional comments regarding the accounting policies for the recognition and measurement of revenue is discussed within each revenue category below.

(a) Sale of Goods and Services

	2019 $'000	2018 $'000
Property Rental Income - Operating Lease Income (i)	581,404	547,222
Fees for Services Rendered (ii)	43,021	61,287
	624,425	**608,509**

(i) Property Rental Income – Operating Lease income

	2019 $'000	2018 $'000
Owned Property Income	39,467	47,984
Leased Property Income	552,472	508,350
Less: Amortisation of Lessee Lease Incentives (Note 16(b))	(10,535)	(9,112)
	581,404	**547,222**

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

Receivable within one year	27,451	39,749
Receivable later than 1 year but not later than 5 years	13,604	18,678
Receivable later than 5 years	281	472
Total Including GST	**41,336**	**58,899**

The above represents future minimum lease receipts on PNSW's owned properties. Future minimum lease receipts as at 30 June 2019 include GST payable of $3.76 million ($5.35 million at 30 June 2018).

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

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.

The terms of occupancy for tenants occupying space in PNSW leased premises, including rentals, incentives and lease terms, are generally aligned with head lease agreement taken out on the premises by PNSW (Note 2(b)(i)).

Tenants are required to makegood leased premises by undertaking a physical makegood or negotiating a financial settlement with PNSW.

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

(b) Investment Revenue

	2019 $'000	2018 $'000
Property Finance Lease Income ((i) and Note 7(c))	5,531	5,642
Interest Earned (ii)	111	197
	5,642	**5,839**

(i) Income from finance leases as lessor includes contingent rent of $0.6 million in 2018-19 ($0.7 million in 2017-18). Contingent rent is calculated as the difference between the current lease payments and the minimum lease payments which were determined at the initial recognition of the finance lease arrangement.

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

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

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

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 PNSW bank account within the NSW Treasury Banking System (Note 6(a) and 15(b)).

(c) Grants and Contributions

	2019 $'000	2018 $'000
State Government - Recurrent Contribution (i)	12,235	7,609
State Government - Capital Contribution (ii)	60,515	89,805
	72,750	**97,414**

(i) PNSW 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 without further conditions. These services include agency property portfolio reviews, whole-of-town studies, property policy implementation and Property Register administration.

(ii) PNSW's approved Capital Program is fully funded by the State Government by way of an annual capital contribution without further conditions. The Program includes major works such as refurbishment, compliance and other asset renewal works included under PNSW's Property Refurbishment Program.

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

(d) Other Revenue

	2019 $'000	2018 $'000
Emerging Asset Revenue ((i) and Note 12(b))	650	600
	650	**600**

(i) In accordance with TPP 06-08 "Accounting for Privately Financed Projects", the Opera House Car Park is an emerging asset which PNSW has a right to receive in the financial year 2042-43 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".

4. GAINS AND LOSSES

(a) Gain/(Loss) on Disposal of Non-Current Assets

	2019 $'000	2018 $'000
Net Proceeds from Disposal of Non-Current Assets Held for Sale	49,620	205,266
Written Down Value (Note 8(b) and 9(b))	(40,736)	(77,158)
Net Gain/(Loss) on Disposal	**8,884**	**128,108**

(b) Other Gains/(Losses)

	2019 $'000	2018 $'000
Net Gain/(Loss) on Revaluation of Property, Plant and Equipment (Note 9(b))	-	(4,547)
Impairment loss on Plant and Equipment (Note 9(b))	-	(303)
Impairment Loss on Work in Progress - Project Costs Recoverable	(497)	(2,092)
Impairment Loss on Intangible Assets (Note 11(b))	(1,455)	(52)
Impairment Loss on Work in Progress - Property, Plant and Equipment (Note 9(b))	(653)	-
Other Gains/(Losses)	**(2,605)**	**(6,994)**

5. BUDGET REVIEW

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

(a) Net Result

The Net Result of $4.7 million was $21.0 million lower than budget, primarily due to:

• a $6.9 million increase in Grant and Subsidies due to unbudgeted payments to Restart NSW Fund;

• a $5.2 million decrease in Gain on Disposal of Non-Current Assets mostly due to over budgeted gain from sale and leaseback transaction of $10M.

(b) Assets and Liabilities

Total Assets of $1.7 billion were $35.2 million greater than budget, primarily due to:

• a $35.0 million increase in Cash and Cash Equivalents mainly due to $16 million unbudgeted property transaction deposit and advanced payment;

• a $43.9 million increase in Receivables mainly due to an increase in Trade Receivables and Makegood Costs Recoverable;

• a $8.3 million increase in Non-Current asset held for sale; and

• a $50.7 million decrease in Property, Plant and Equipment mainly due to transfer of properties to other government agencies.

Total Liabilities of $383.3 million were $19.1 million less than budget, primarily due to:

• a $35.6 million increase in Payables mainly due to $16 million unbudgeted property transaction deposit and increase in Sundry Creditors and accruals of $24.3 million; and

• a $65.7 million decrease in Provisions mainly due to change of land remediation estimates for Hunters Hills, which result in a lower forecasted future cost and significant decrease in budgeted deferred gain from sale and leaseback transaction.

(c) Cash Flows

Closing Cash and Cash Equivalents of $65.9 million was $35.0 million greater than budget, primarily due to $16 million unbudgeted property transaction deposit and advanced payment.

6. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

(a) Cash and Cash Equivalents

	2019 $'000	2018 $'000
Current		
Cash at Bank and On Hand (i)		
Operating Funds	42,264	150,406
Restricted Cash:		
Land Remediation Funds (ii)	7,588	7,477
Agency Property Transaction Monies (iii)	16,001	6,600
Total Cash and Cash Equivalents	**65,853**	**164,483**

(i) Cash comprises cash on hand and bank balances within the NSW Treasury Banking System. Interest is earned on Cash rate, adjusted for a management fee to NSW Treasury. All other bank accounts are non-interest bearing within the NSW Treasury Banking System.

For the purposes of the Statement of Cash Flows, cash includes Cash at Bank and Restricted Cash.

All of PNSW's cash deposits are held within NSW Treasury Banking System bank accounts. All deposits held within the NSW Treasury Banking System are guaranteed by the State.

(ii) A total of $7.6 million ($7.5 million at 30 June 2018) is set aside and can only be used for remediation on Newcastle lands acquired by the Crown from BHP Billiton in 2002.

(iii) As at 30 June 2019, there was a total of $16.0 million cash held "on trust" on behalf of other government agencies and can only be used for property acquisition and divestment transactions in progress, negotiations for which were being undertaken by PNSW under formal agreement with those agencies (Note 13(a)). There was no cash held “on trust” for the same nature as at 30 June 2019.

Interest Rate Risk

The effect on the Net Result and Equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which PNSW 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 30 June 2019. The analysis is performed on the same basis as for 2018. The analysis assumes that all other variables remain constant.

Exposure to interest rate risk arises primarily through PNSW’s Cash and Cash Equivalents. PNSW does not account for any fixed rate financial instruments at fair value through profit or loss or as available for sale. Therefore, forthese financial instruments a change in interest rates would not affect profit or loss or equity. A reasonably possible change of +/-1% is used, consistent with current trends in interest rates (based on official RBA interest rate volatility over the last five years). The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility. PNSW’s exposure to interest rate risk is set out below.

Interest Rate Risk - 2019	**Carrying Amount $'000**	**-1% Profit $'000**	**-1% Equity $'000**	**+1% Profit $'000**	**+1% Equity $'000**
Financial Assets					
Cash and Cash Equivalents	7,588	(76)	(76)	76	76

Interest Rate Risk - 2018	**Carrying Amount $'000**	**-1% Profit $'000**	**-1% Equity $'000**	**+1% Profit $'000**	**+1% Equity $'000**
Financial Assets					
Cash and Cash Equivalents	7,477	(75)	(75)	75	75

(b) Reconciliation of Net Cash Flows from Operating Activities to Net Result

	2019 $'000	**2018 $'000**
Net Cash Flow From Operating Activities	**(10,211)**	**(68,445)**
Non Cash Revenue/(Expenses):		
Emerging Asset Increment/(Decrement) (Note 3(d))	650	600
Depreciation and Amortisation (Note 2(c))	(19,486)	(24,958)
Gain/(Loss) on Disposal of Non-Current Assets (Note 4(a))	8,884	128,108
Other Gains/(Losses) (Note 4(b))	(2,605)	(6,994)
Changes in Operating Assets and Liabilities:		
Increase/(Decrease) in Receivables	(6,291)	(11,164)
Decrease/(Increase) in Payables	28,695	(38,747)
Decrease/(Increase) in Provisions	9,014	26,655
Decrease/(Increase) in Other Liabilities	(3,962)	(972)
Net Result	**4,688**	**4,083**

(c) Non-Cash Financing and Investing Activities

The following transactions did not involve the use of cash or cash equivalents and are therefore not included in the Statement of Cash Flows.

Non-Cash Investing Activities	**2019 $'000**	**2018 $'000**
Properties transferred from other Government Agencies (Note 9(b))	15,231	114,331
Properties transferred to other Government Agency (Note 9(b))	(125,439)	(9,400)
Total Non-cash Investing Activities	**(110,208)**	**104,931**

7. CURRENT / NON-CURRENT ASSETS – RECEIVABLES

(a) Receivables - Current and Non-Current

	2019 $'000	2018 $'000
Current		
Trade Receivables:		
Property Rental	4,312	10,192
Fees for Services Rendered	25,558	24,873
Less: Allowance for expected credit losses (b(i))	(1,364)	-
Less: Allowance for impairment (b(ii))	-	(2,295)
Subtotal - Trade Receivables	28,506	32,770
Other Receivables:		
Work in Progress - Net Project Costs Recoverable	7,401	4,502
Goods and Services Tax Recoverable	116	-
Finance Lease Receivables (c)	4,035	4,035
Lessee Lease Incentives (d)	8,070	7,495
Makegood Costs Recoverable (e)	46,299	41,209
Accrued Rental Income	3,148	11,992
Accrued Fees for Services Rendered	2,596	3,564
Receivables from PAG Entities	19,155	12,136
Prepayments	2,038	1,762
Other	79	-
Subtotal - Other Receivables	92,937	86,695
Total Current Receivables	**121,443**	**119,465**
Non-Current		
Other Receivables:		
Finance Lease Receivables (c)	64,956	64,016
Lessee Lease Incentives (d)	48,424	34,689
Makegood Costs Recoverable (e)	150,911	140,115
Receivable from Lessees (Note 13(a))	11,307	10,694
Other Non-Current Receivables	-	374
Total Non-Current Receivables	**275,598**	**249,888**

(b) Allowance for expected credit losses (Allowance for impairment)

(i) Movement in the allowance for expected credit losses

	2019 $'000
Movement:	
Balance at 30 June 2018 under AASB 139	2,295
Amounts restated through opening accumulated funds	-
Balance at 1 July 2018 under AASB 9	2,295
Increase/(decrease) in allowance recognised in net results	(931)
Carrying Amount at 30 June 2019	**1,364**

(ii) Movement in the allowance for impairment

	2018 $'000
Movement:	
Balance at 30 June 2017	2,295
Increase/(decrease) in allowance	-
Carrying Amount at 30 June 2018	**2,295**

(c) Finance Lease Receivables

	2019 $'000	2018 $'000
Movement:		
Carrying Amount at 1 July	68,051	67,178
Lease Payments Received	(4,591)	(4,769)
Property Finance Lease Income (Note 3(b))	5,531	5,642
Carrying Amount at 30 June	**68,991**	**68,051**

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

Gross Investment in Finance Leases as Lessor	293,517	297,552
Less: Unearned Finance Income	(224,526)	(229,501)
Present Value of the Minimum Lease Payments Receivable	**68,991**	**68,051**

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

Not later than one year	4,035	4,035
Later than one year and not later than five years	16,141	16,141
Later than five years	273,341	277,376
Gross Investment in Finance Leases as Lessor	**293,517**	**297,552**

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

Not later than one year	4,035	4,035
Later than one year and not later than five years	13,313	13,313
Later than five years	51,643	50,703
Present Value of the Minimum Lease Payments Receivable	**68,991**	**68,051**

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

PNSW's material leasing arrangements which give rise to finance lease receivables involve owned properties which are leased to tenants under lease terms of 50 years or more.

Land under a long term lease, where PNSW is lessor, is classified as a finance lease if it satisfies the provisions of AASB 117 "Leases" and Treasury policy TPP 11-01 "Accounting Policy: Lessor classification of long-term land leases". For long term lease classified as finance lease, a finance lease receivable is recognised at lease commencement equal to the minimum lease payments plus any unguaranteed residual value at the end of lease, discounted at the interest rate implicit in the lease. Throughout the term of such a lease, finance lease income is recognised each period, calculated as the lease receivable multiplied by the interest rate implicit in the lease.

The unguaranteed residual value of all finance leases as lessor accruing to the benefit of PNSW as at 30 June 2019 is $21.7 million ($19.0 million at 30 June 2018).

(d) Lessee Lease Incentives

	2019 $'000	2018 $'000
Movement:		
Carrying Amount at 1 July (i)	42,184	48,254
Add Lease Incentives Provided	24,845	3,042
Less Current Year Amortisation (Note 3(a))	(10,535)	(9,112)
Carrying Amount at 30 June	**56,494**	**42,184**
Current Asset	8,070	7,495
Non-Current Asset	48,424	34,689
Carrying Amount at 30 June	**56,494**	**42,184**

(i) Lessee lease incentives provided relate to incentives given to PNSW under head lease agreements which PNSW has passed on to government agency tenants under sub-lease arrangements. Lessee lease incentives are amortised over the term of each lease and are recognised as a reduction to Property Rental Income under Sale of Goods and Services in the Statement of Comprehensive Income (Note 3(a)).

(e) Makegood Costs Recoverable

	2019 $'000	2018 $'000
Movement:		
Carrying Amount at 1 July	181,324	156,896
Increase in Recoverable from Unwinding of Discount Rate (Note 15(c))	3,626	2,872
Increase/(Decrease) in Recoverable from Revised Estimate of Liability (Note 15(c))	18,407	25,537
Decrease in Recoverable from Payments (Note 15(c))	(6,147)	(3,981)
Carrying Amount at 30 June	**197,210**	**181,324**
Current Asset		
Makegood Costs Recoverable (Note 15(c))	46,299	41,209
Total Current Asset at 30 June	**46,299**	**41,209**
Non-Current Asset		
Makegood Costs Recoverable (Note 15(c))	150,911	140,115
Total Non-Current Asset at 30 June	**150,911**	**140,115**
Carrying Amount at 30 June	**197,210**	**181,324**

(f) Recognition and Measurement – Receivables

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

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

(i) Subsequent measurement under AASB 9 (from 1 July 2018)

PNSW holds receivables with the objective to collect the contractual cash flows and therefore measures them at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

(ii) Subsequent measurement under AASB 139 (for comparative period ended 30 June 2018)

Subsequent measurement is at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

(iii) Impairment under AASB 9 (from 1 July 2018)

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

For trade receivables, PNSW applies a simplified approach in calculating ECLs. PNSW recognises a loss allowance based on lifetime ECLs at each reporting date. PNSW has established a provision matrix based on its historical credit loss experience for trade receivables, adjusted for forward-looking factors specific to the receivable.

(iv) Impairment under AASB 139 (for comparative period ended 30 June 2018).

The only financial assets that are past due or impaired are Sales of Goods and Services in the Receivables category of the Statement of Financial Position.

Receivables are subject to an annual review for impairment. These are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected.

PNSW first assesses whether impairment exists individually for receivables that are individually significant, or collectively for those that are not individually significant. Further, receivables are assessed for impairment on a collective basis if they were assessed not to be impaired individually.

The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the impairment loss is recognised in the net result for the year.

Any reversals of impairment losses are reversed through the net result for the year, if objectively related to an event occurring after the impairment was recognised. Reversals of impairment losses cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

8. NON-CURRENT ASSETS HELD FOR SALE

(a) Non-Current Assets Held for Sale

	2019 $'000	2018 $'000
Current		
Land	8,339	35,578
Building	-	1,299
Total Non-Current Assets Held for Sale	**8,339**	**36,877**

(b) Reconciliation of Opening and Closing Carrying Amounts

	2019 $'000	2018 $'000
Non-Current Assets Held for Sale		
Carrying Amount at 1 July	36,877	87,973
Reclassification from Property, Plant and Equipment - Land (Note 9(b))	8,339	24,727
Reclassification from Property, Plant and Equipment - Buildings (Note 9(b)	-	1,335
Transfer to local Government (Note 2(d))	(998)	-
Disposals (Note 4(a))	(35,879)	(77,158)
Carrying Amount at 30 June	**8,339**	**36,877**

(c) Recognition and Measurement - Non-Current Assets Held for Sale

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

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

9. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

(a) Property, Plant and Equipment

	2019 $'000	2018 $'000
Non-Current		
Land		
At Fair Value	371,020	419,393
Carrying Amount at 30 June	**371,020**	**419,393**
Buildings		
At Fair Value	231,814	247,106
Carrying Amount at 30 June	**231,814**	**247,106**
At Fair Value	11,572	11,758
Less Accumulated Depreciation	(5,600)	(4,798)
Carrying Amount at 30 June	**5,972**	**6,960**
Finance Lease Assets		
At Fair Value	293,184	262,600
Carrying Amount at 30 June	**293,184**	**262,600**
Works in Progress		
At Fair Value	298,241	181,631
Carrying Amount at 30 June	**298,241**	**181,631**
Total Property, Plant and Equipment at 30 June	**1,200,231**	**1,117,690**
Total Property, Plant and Equipment		
At Cost or Fair Value	1,205,831	1,122,488
Accumulated Depreciation and Amortisation	(5,600)	(4,798)
Total Property, Plant and Equipment Carrying Amount at 30 June	**1,200,231**	**1,117,690**

(b) Reconciliation of Opening and Closing Carrying Amounts

	2019 $'000	2018 $'000
Land		
Carrying Amount at 1 July	419,393	424,217
Asset additions	9	-
Asset disposals (Note 4(a))	(3,353)	-
Transfers from other Government Agencies (Note 18(ii))	7,314	45,126
Reclassification to Non-Current Asset Held for Sale (Note 8(b))	(8,339)	(24,727)
Transfer to other Government Agency (Note 18(ii))	(104,769)	(9,400)
Transfer to Local Government (Note 2(d))	(640)	-
Net Revaluation Reserve Increment/(Decrement) (Note 17(i))	61,405	(11,923)
Net Revaluation Increment/(Decrement) Recognised in the Net Result (Note 4(b))	-	(3,900)
Carrying Amount at 30 June	**371,020**	**419,393**
Buildings		
Carrying Amount at 1 July	247,106	163,538
Asset additions	111	-
Asset disposals (Note 4(a))	(1,469)	-
Transfer from Works in Progress	9,856	-
Transfers from other Government Agencies (Note 18(ii))	7,917	69,205
Transfer to other Government Agency (Note 18(ii))	(20,670)	-
Transfer to local Government (Note 2(d))	(246)	-
Reclassification to Non-Current Asset Held for Sale (Note 8(b))	-	(1,335)
Net Revaluation Reserve Increment/(Decrement) (Note 17(i))	2,966	35,058
Net Revaluation Increment/(Decrement) Recognised in the Net Result (Note 4(b))	-	(647)
Depreciation Expense (Note 2(c))	(13,757)	(18,713)
Carrying Amount at 30 June	**231,814**	**247,106**
Plant and Equipment		
Carrying Amount at 1 July	6,960	5,473
Asset disposals (Note 4(a))	(35)	-
Impairment loss (Note 4(b))	-	(303)
Transfer from Works in Progress	86	3,969
Net Revaluation Reserve Increment/(Decrement) (Note 17(i))	-	(611)
Depreciation Expense (Note 2(c))	(1,039)	(1,568)
Carrying Amount at 30 June	**5,972**	**6,960**
Finance Lease Assets		
Carrying Amount at 1 July	262,600	209,700
Net Revaluation Reserve Increment/(Decrement) (Note 17(i))	33,499	55,143
Depreciation Expense (Note 2(c))	(2,915)	(2,243)
Carrying Amount at 30 June	**293,184**	**262,600**

Works in Progress		
Carrying Amount at 1 July	181,631	155,735
Additions	127,205	29,865
Transfer to Plant and Equipment	(86)	(3,969)
Transfer to Building	(9,856)	-
Impairment Loss (Note 4(b))	(653)	-
Carrying Amount at 30 June	**298,241**	**181,631**
Total Property, Plant and Equipment Carrying Amount at 30 June	**1,200,231**	**1,117,690**

(c) Recognition and Measurement - Property, Plant and Equipment

(i) Acquisitions of Assets

Acquisition of assets is recognised when the risks and rewards of the asset have passed to the buyer. On property assets, 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 PNSW. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other Australian Accounting Standards.

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition (see also assets transferred as a result of an equity transfer (Note 18).

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

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

(ii) Capitalisation Thresholds

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

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

Expenditure capitalised as at 30 June 2019 and recorded under Works In Progress relates to acquisition of land and construction of new office accommodation, refurbishment works in various office buildings and PNSW corporate capital projects totalling $298.2 million (2018: $181.6m).

(iii) Revaluation of Property, Plant and Equipment

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

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

Fair value of Property, Plant and Equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. PNSW revalue each class of property, plant and equipment on an annual basis to ensure that the carrying amount of each asset in the class does not differ materially from its fair value at reporting date.

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

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

All properties within the asset classes of Land and Buildings (classified under Property Plant and Equipment) were independently valued as at 31 March 2019 and PNSW conducts a comprehensive revaluation on three-year cyclical basis. Qualified valuers, Cushman and Wakefield and Preston Rowe Paterson were engaged to provide PNSW with independent property valuation reports. Each firm provided individual valuations on a sub-set of properties assigned to them. The valuations took into consideration changes to market and economic conditions that have occurred since 30 June 2018 as well as the previous valuation reports.

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

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

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

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

(iv) Finance Lease 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. Leases in which a significant portion of the risks and rewards of ownership are not transferred to PNSW as lessee are classified as operating leases. Payments made under operating leases are charged to the Statement of Comprehensive income on a straight-line basis over the period of the lease.

Property, Plant and Equipment acquired under finance leases are recognised, at the commencement of the lease, at an amount equal to the fair value of the leased property, or if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Statement of Financial Position as Finance Lease Liabilities under Borrowings (Note 14). Lease payments are allocated between the principal component of the lease liability and the finance cost (interest expense). The finance cost is charged to expenses over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

After recognition as an asset, an item of property, plant and equipment acquired under finance lease is measured at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Finance leased assets are revalued as part of the property, plant and equipment revaluation process.

(v) Impairment of Property, Plant and Equipment

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

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

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

(vi) Restoration Costs

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

(vii) Major Inspection Costs

When each major inspection is performed, the labour cost of performing inspections for faults is recognised in the carrying amount of an asset as a replacement of a part, if the recognition criteria are satisfied.

(viii) 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.

10. FAIR VALUE MEASUREMENT OF NON-FINANCIAL ASSETS

The following table shows the levels within the hierarchy of non-financial assets measured at fair value on a recurring basis (Refer to Notes 1(f), 9 and 11):

(a) Fair Value Hierarchy

2019	Level 1	Level 2	Level 3	Total Fair Value
	$'000	$'000	$'000	$'000
Property, Plant and Equipment (Note 9)				
Land	-	371,020	-	371,020
Buildings	-	231,814	-	231,814
Finance Lease Assets	-	293,184	-	293,184
Other Asset (Note 12)				
Emerging Asset	-	11,763	-	11,763
	-	**907,781**	**-**	**907,781**

2018	Level 1	Level 2	Level 3	Total Fair Value
	$'000	$'000	$'000	$'000
Property, Plant and Equipment (Note 9)				
Land	-	419,393	-	419,393
Buildings	-	247,106	-	247,106
Finance Lease Assets	-	262,600	-	262,600
Other Asset (Note 12)				
Emerging Asset	-	10,300	-	10,300
	-	**939,399**	**-**	**939,399**

There were no transfers between Level 1 or 2 during 2018-19 (Nil in 2017-18). The 'Total Fair Value' above includes assets measured at fair value and will not reconcile to the total Property, Plant and Equipment recognised in the Statement of Financial Position as this includes assets which are measured at depreciated historical cost, as an approximation of fair value. These non-specialised assets do not require fair value hierarchy disclosures under AASB 13 "Fair Value Measurement".

(b) Valuation Techniques, Input and Processes

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

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

11. INTANGIBLE ASSETS

(a) Intangible Assets

	2019 $'000	2018 $'000
Non-Current		
Intangible Assets - Computer Software		
Gross Carrying Amount	8,867	10,322
Less Accumulated Amortisation	(8,867)	(7,092)
Total Intangible Assets - Computer Software at 30 June	**-**	**3,230**

(b) Reconciliation of Opening and Closing Carrying Amounts

	2019 $'000	2018 $'000
Intangible Assets - Computer Software		
Carrying Amount at 1 July	3,230	5,716
Impairment Loss (Note 4(b))	(1,455)	(52)
Amortisation Expense (Note 2(c))	(1,775)	(2,434)
Carrying Amount at 30 June	**-**	**3,230**

(c) Recognition and Measurement - Intangible Assets

PNSW recognises intangible assets only if it is probable that future economic benefits will flow to PNSW and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition. All research costs are expensed. Development costs are only capitalised when certain criteria are met.

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

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

12. NON-CURRENT ASSETS - OTHER ASSETS

(a) Other Assets

	2019 $'000	2018 $'000
Non-Current		
Emerging Asset		
At Fair Value	11,763	10,300
Total Other Assets at 30 June	**11,763**	**10,300**

(b) Reconciliation of Opening and Closing Carrying Amounts

	2019 $'000	2018 $'000
Other Assets - Emerging Asset		
Carrying Amount at 1 July	10,300	7,400
Net Revaluation Reserve Increment/(Decrement) (Note 17(i))	813	2,300
Emerging Asset Increment (Note 3(d))	650	600
Total Carrying Amount at 30 June	**11,763**	**10,300**

(c) Recognition and Measurement - Emerging Asset

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

The emerging value of the car park is $11.8 million at 30 June 2019 ($10.3 million at 30 June 2018). The emerging value is being allocated to revenue and Non-Current Assets - Other during the term of the lease as if it were the compound value of an annuity discounted at the NSW Government bond rate applicable at 13 March 1993, being 8.25%.

Qualified valuer, Cushman & Wakefield was engaged to provide an independent fair value valuation of the lessor's interest in the freehold property subject to the existing lease as prescribed under Treasury Accounting Policy TPP 06-8 "Accounting for Privately Financed Projects" as at 30 June 2019.

13. CURRENT / NON-CURRENT LIABILITIES – PAYABLES

(a) Payables - Current and Non-Current

	2019 $'000	2018 $'000
Current		
Sundry Creditors and Accruals	40,901	35,187
Goods and Services Tax Payables	-	18,430
Agency Property Transaction Monies (Note 6(a))	16,001	6,600
Payable to Personnel Services Provider (Note 1(a) and 2(a))	7,152	3,141
Total Current Payables	**64,054**	**63,358**
Payable to Lessor (Note 7(a))	11,307	10,694
Total Non-Current Payables	**11,307**	**10,694**

(b) Recognition and Measurement – Payables

Payables represent liabilities for goods and services provided to PNSW 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.

PNSW's payables are all non-interest bearing. Payable items which are out of the scope of AASB 9 "Financial Instruments" have been excluded from the carrying amount shown in the Statement of Financial Position.

(c) Liquidity Risk

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

During the current and prior years, there were no defaults or breaches on any loans payable. No assets have been pledged as collateral. PNSW's exposure to liquidity risk is deemed insignificant based on prior period data and current assessment of risk.

(d) Maturity Profile

All of PNSW's payables and accruals have a maturity of less than 12 months (2018: less than 12 months). Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW Treasury Circular 11/12. For small business suppliers, where terms are not specified, payment is made not later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. For small business suppliers, where payment is not made within the specified time period, simple interest must be paid automatically unless an existing contract specifies otherwise. For payments to other suppliers, PNSW may automatically pay the supplier simple interest. The rate of interest applied by PNSW accords with the current rate applicable under section 22 of the Taxation Administration Act 1996.

A maturity profile analysis of PNSW's Finance Lease liabilities is presented at Note 14(c).

14. BORROWINGS

(a) Borrowings - Non-Current

	2019 $'000	2018 $'000
Non-Current		
Finance Lease Liabilities (b)	34,398	34,398
Total Non-Current Borrowings	**34,398**	**34,398**

(b) Finance Lease Liabilities

	2019 $'000	2018 $'000
Movement:		
Carrying Amount at 1 July	34,398	34,398
Minimum Lease Payments	(4,809)	(4,809)
Finance Lease Interest Charges (Note 2(e))	4,809	4,809
Carrying Amount at 30 June	**34,398**	**34,398**

(c) Finance Lease Commitments

	2019 $'000	2018 $'000
Minimum Lease Payments:		
Payable within one year	4,808	4,808
Payable later than one year but not later than five years	19,234	19,234
Payable later than five years	411,926	416,734
Total Minimum Lease Payment Commitment	**435,968**	**440,776**
Finance Costs:		
Payable within one year	(4,808)	(4,808)
Payable later than one year but not later than five years	(19,234)	(19,234)
Payable later than five years	(377,527)	(382,336)
Total Finance Costs Commitment	**(401,569)**	**(406,378)**
Present Value of Finance Lease Commitments:		
Payable later than five years	34,398	34,398
Total Present Value of Finance Lease Commitments	**34,398**	**34,398**

(d) Recognition and Measurement - Finance Lease Liabilities

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

PNSW's Finance Lease Liabilities comprises of a lease on part of the 52 Martin Place building, Sydney. The 52 Martin Place lease liability is being amortised over the lease term, which is 124.25 years and ends in March 2110. The discount rate implicit in the lease is 14.91% pa. The Finance Lease Liabilities are secured by the assets leased (Note 8).

15. CURRENT / NON-CURRENT LIABILITIES – PROVISIONS

(a) Provisions - Current and Non-Current

	2019 $'000	2018 $'000
Current		
Land Remediation (b)	3,644	716
Makegood Restoration ((c) and Note 7(e))	46,299	41,209
Total Current Provisions	**49,943**	**41,925**
Non-Current		
Land Remediation (b)	17,287	29,229
Makegood Restoration ((c) and Note 7(e))	150,911	140,115
Total Non-Current Provisions	**168,198**	**169,344**

(b) Land Remediation

	2019 $'000	2018 $'000
Movement:		
Carrying Amount at 1 July	29,945	56,601
Decrease in Provision from Payments	(462)	(14,919)
Increase in Provision from Unwinding of Discount Rate (Note 2(e))	615	911
Increase/(Decrease) in Provision from Revised Estimate of Liability Recognised in Asset Revaluation Reserve (Note 17(i))	(9,167)	(12,648)
Carrying Amount at 30 June	**20,931**	**29,945**

Land remediation provisions as at 30 June 2019 relate to Newcastle landholdings (i) and Hunter's Hill landholdings (ii).

(i) Newcastle Landholdings

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

In July 2009, management control for two parcels of the unremediated land at Mayfield and the Kooragang Island site were transferred to the Newcastle Port Corporation (NPC). At 30 June 2019, PNSW retained ownership of the remaining parcel of the former steel works site at Mayfield (known as Mayfield Lot 1).

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

(ii) Hunter's Hill Landholdings

In June 2009, PNSW acquired land at lots 7, 9 and 11 Nelson Parade Hunter's Hill. Each of these lots are situated on a former uranium smelter site and, as part of the land transfers, the NSW Government has given PNSW the responsibility to remediate the contaminated land. PNSW has estimated and recognised a remediation liability at the reporting date for all three lots. This estimate has been determined using quotes, contract and tender details available as at 30 June 2019. Minor works were undertaken in 2018-19, however the remaining remediation will be undertaken and completed in future years.

(c) Makegood Restoration

	2019 $'000	2018 $'000
Movement:		
Carrying Amount at 1 July	181,324	158,132
Increase in Provision from Unwinding of Discount Rate (Note 7(e))	3,626	2,872
Increase/(Decrease) in Provision from Revised Estimate of Liability (Note 7(e))	18,407	24,301
Decrease in Provision from Payments (Note 7(e))	(6,147)	(3,981)
Carrying Amount at 30 June	**197,210**	**181,324**

The makegood restoration liability is calculated on all leased properties, where PNSW 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. An average discount rate of 1.06% was used at 30 June 2019 (2.00% as at 30 June 2018) and the level of the provision is reviewed at the end of each year. Any movement in the Makegood Restoration Provision is also reflected in Makegood Costs Recoverable within Receivables (Note 7(e)).

(d) Recognition and Measurement - Provisions

(i) Land Remediation Provisions

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

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

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

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

(ii) Other Provisions

Other provisions are recognised when PNSW has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation as at the reporting date, taking into account the risks and uncertainties that surround the events and circumstances that affect the provision. Where the effect of the time value of money is material, the provision amount is calculated as the present value of the expenditure expected to be required to settle the obligation. The discount rate used in the calculation is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The rate does not reflect risks for which future cash flow estimates have been adjusted.

16. CURRENT / NON-CURRENT LIABILITIES - OTHER

(a) Other Liabilities - Current and Non-Current

	2019 $'000	2018 $'000
Current		
Lessor Lease Incentives (b)	7,946	7,371
Deposit Monies from Assets Sale	-	35,000
Total Current Liability at 30 June	**7,946**	**42,371**
Non-Current		
Lessor Lease Incentives (b)	47,442	33,583
Total Non-Current Liability at 30 June	**47,442**	**33,583**

(b) Lessor Lease Incentives

	2019 $'000	2018 $'000
Movement:		
Carrying Amount at 1 July	40,954	48,254
Additional Lease Incentives	24,845	1,708
Less Current Year Amortisation (Note 2(b))	(10,411)	(9,008)
Carrying Amount at 30 June	**55,388**	**40,954**

Lessor lease incentives received relate to incentives given to PNSW under head lease agreements. Lessor lease incentives are amortised over the term of each lease and are recognised as a reduction to Property Head Lease Expense under Other Operating Expenses in the Statement of Comprehensive Income (Note 2(b)).

17. EQUITY – ASSET REVALUATION RESERVE

The total asset revaluation reserve is used to record increments and decrements on the revaluation of non-current property plant and equipment and finance leases. This accords with PNSW's policy on the Revaluation of Property, Plant and Equipment (Note 9). No financial distributions are made from the Asset Revaluation Reserve.

Asset Revaluation Reserve - Movement	**2019 $'000**	**2018 $'000**
Carrying Amount at 1 July	292,817	222,888
Net Increase in Property, Plant and Equipment Revaluation Surplus (i)	107,850	92,615
Transfer to Accumulated Funds on Disposal of PP&E (Note 18)	(35,242)	(22,686)
Carrying Amount at 30 June	**365,425**	**292,817**

Asset Revaluation Reserve - Asset Class	**2019 $'000**	**2018 $'000**
Land	92,828	44,296
Buildings	27,935	37,358
Finance Lease Assets	242,514	209,015
Fine Arts & Heritage Assets	2,148	2,148
Total Asset Revaluation Reserve at 30 June	**365,425**	**292,817**

(i) Net Increase in Property, Plant and Equipment Revaluation Surplus

	2019 $'000	**2018 $'000**
Land (Note 9(b) and 15(b))	61,405	725
Land remediation (Note 15(a) and 15(b))	9,167	-
Buildings (Note 9(b))	2,966	35,058
Finance Lease Assets (Note 9(b))	33,499	55,143
Emerging Asset (Note 12)	813	2,300
Fine Arts & Heritage Assets	-	(611)
Net Increase in Property, Plant and Equipment Revaluation Surplus	**107,850**	**92,615**

18. EQUITY - ACCUMULATED FUNDS

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

Accumulated Funds - Movement	**2019 $'000**	**2018 $'000**
Carrying Amount at 1 July	1,013,443	918,081
Net Result for the Year	4,688	4,083
Transfer from Asset Revaluation Reserve on Disposal of PP&E (Note 17)	35,242	22,686
Financial Distributions (i)	(8,651)	(36,338)
Net Increase/(Decrease) in Net Assets from Equity Transfers (ii)	(110,208)	104,931
Carrying Amount at 30 June	**934,514**	**1,013,443**

(i) Financial Distributions

	2019 $'000	2018 $'000
Normal Distributions from Surplus on Rental Operations (Paid to the NSW Government)	(5,530)	(13,850)
Capital Repatriations from the Net Proceeds of Asset Sales (Paid to the NSW Government)	(3,121)	(22,488)
	(8,651)	**(36,338)**

As a Government business, PNSW 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 PNSW's case, its owner is the State Government. All payments of financial distributions are made to the Crown Finance Entity. The nature and calculation of the required annual distributions is determined by NSW Treasury Policy and Guidelines Paper, TPP 16-04 "Financial Distribution Policy for Government Businesses". The distributions made by PNSW include normal distribution payments from cash operating surpluses and capital repatriations, from the sale of its own properties.

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

Capital repatriations are additional one-off payments which represent capital repayments of the State Government’s equity in PNSW. In PNSW’s case, capital repatriation payments represent the full return of the net proceeds (i.e. total proceeds less costs) of all PNSW-owned property sales.

Payments made to the Restart NSW Fund (NSW Government's dedicated infrastructure fund) from the net sale proceeds of property assets sold by PNSW is recognised as contribution expense. The payments are based on a NSW Government decision that the net sale proceeds of property assets sold by DFSI related entities are to be paid directly into the Restart NSW Fund from 1 July 2015 onward except where the NSW Government has made a separate decision to allocate the net sale proceeds to fund other programs.

(ii) Net Increase/(Decrease) in Net Assets from Equity Transfers

	2019 $'000	2018 $'000
Transfer of Properties from other Government Agencies:		
Buildings (Note 9(b))	7,917	69,205
Land (Note 9(b))	7,314	45,126
Transfer of Properties to other Government Agency - Land (Note 9(b))		
Buildings (Note 9(b))	(20,670)	-
Land (Note 9(b))	(104,769)	(9,400)
	(110,208)	**104,931**

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

Owners Made to Wholly-Owned Public Sector Entities" and Australian Accounting Standards.

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

19. FINANCIAL INSTRUMENTS

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

Quantitative and qualitative disclosures together with PNSW's objectives, policies and processes for measuring and managing risk are included throughout the financial statements.

The Chief Executive Officer has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing risks. Risk management policies are established to identify and analyse the risks faced by PNSW, to set risk limits and controls and to monitor risks. Compliance with policies is reviewed by PNSW management on a continuous basis.

(a) Financial Instrument Categories

(i) As at 30 June 2019 under AASB 9

Class	Notes	Category	Carrying amount $'000
Financial Assets			
Cash and Cash Equivalents	6	n/a	65,853
Receivables (i)	7	Loans and Receivables (at Amortised Cost)	394,887
Financial Liabilities			
Payables (ii)	13	Financial Liabilities (at Amortised Cost)	59,360
Borrowings	14	Financial Liabilities (at Amortised Cost)	34,398

(i) Excludes statutory receivables and prepayments as they are not within the scope of AASB 7.
(ii) Excludes statutory payables and unearned revenue as they are not within the scope of AASB 7.

(ii) As at 30 June 2018 under AASB 139 (comparative period)

Class	**Notes**	**Category**	**Carrying amount $'000**
Financial Assets			
Cash and Cash Equivalents	6	n/a	164,483
Receivables (i)	7	Loans and Receivables (at Amortised Cost)	367,591
Financial Liabilities			
Payables (ii)	13	Financial Liabilities (at Amortised Cost)	49,022
Borrowings	14	Financial Liabilities (at Amortised Cost)	34,398

(iii) Excludes statutory receivables and prepayments as they are not within the scope of AASB 7.

(iv) Excludes statutory payables and unearned revenue as they are not within the scope of AASB 7.

(b) Derecognition of financial assets and financial liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the contractual rights to the cash flows from the financial assets expire; or if PNSW transfers its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:

• PNSW has transferred substantially all the risks and rewards of the asset; or

• PNSW has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control.

When PNSW has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. Where PNSW has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset continues to be recognised to the extent of PNSW's continuing involvement in the asset. In that case, PNSW also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that PNSW has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the entity could be required to repay.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the net result.

(c) Offsetting financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(d) Financial risks

(i) Credit Risk

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

Credit risk arises from the financial assets of PNSW, including cash and receivables (Notes 6 and 7). No collateral is held by the entity. PNSW has not granted any financial guarantees.

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

Cash and cash equivalents

Cash comprises cash on hand and bank balances within the NSW Treasury Banking System. Interest is earned on daily bank balances at the monthly average TCorp 11am unofficial cash rate, adjusted for a management fee to NSW Treasury.

Accounting policy for impairment of trade debtors and other financial assets under AASB 9

Receivables - trade debtors

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

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

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

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

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

The loss allowance for trade debtors as at 30 June 2019 and 1 July 2018 (on adoption of AASB 9) was determined as follows:

30 June 2019				$000		
	Current	<30 days	30-60 days	61-90 days	>91 days	Total
Expected credit loss rate	4.18%	4.61%	7.04%	6.81%	2.76%	
Estimated total gross carrying amount at default	6,470	2,720	4,781	5,149	10,167	29,287
Expected credit loss	**270**	**125**	**337**	**351**	**281**	**1,364**

1 July 2018				$000		
	Current	<30 days	30-60 days	61-90 days	>91 days	Total
Expected credit loss rate	5.37%	7.18%	8.46%	8.76%	7.27%	
Estimated total gross carrying amount at default	5,777	11,989	2,198	3,673	8,475	32,112
Expected credit loss	**310**	**861**	**186**	**322**	**616**	**2,295**

Notes: The analysis excludes statutory receivables, prepayments, as these are not within the scope of AASB 7. Therefore, the 'total' will not reconcile to the receivables total in Note 6.

The entity is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors as at 30 June 2019. Most of PNSW's debtors are NSW Government Agencies and therefore have an AAA credit rating. There are no debtors which are currently not past due or impaired whose terms have been renegotiated.

Accounting policy for impairment of trade debtors and other financial assets under AASB 139 (comparative period only).

Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand. Debtors which are known to be uncollectible are written off. An allowance for impairment is raised when there is objective evidence that PNSW 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.

For the comparative period 30 June 2018, the ageing analysis of trade debtors is as follows:

			Overdue		Total
	<1 Mth	>1 <2 Mths	>2 <3 Mths	>3 Mths	2018
Financial Assets	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Receivables:					
Past Due But Not Impaired	17,766	2,198	3,673	6,180	29,817
Considered Impaired	-	-	-	2,295	2,295
Total Credit Risk	**17,766**	**2,198**	**3,673**	**8,475**	**32,112**

Notes: The ageing analysis excludes statutory receivables and prepayments, as these are not within the scope of AASB 7. Therefore, the 'total' will not reconcile to the receivables total in Note 7.

(ii) Liquidity Risk

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

During the current and prior year, there were no defaults of borrowings. No assets have been pledged as collateral. PNSW's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

Liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in TC11-12. For small business suppliers, where terms are not specified, payment is made not later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received.

(iii) 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. PNSW's exposure to market risk is primarily through interest rate risk on the entity's BHP Remediation interest earning bank balance held within the NSW Treasury Banking System (Note 6(a)). PNSW has no exposure to foreign currency risk and does not enter into commodity contracts.

(iv) Fair Value of Financial Instruments

PNSW's financial instruments are recognised at cost. The amortised cost of the entity's financial instruments recognised in the Statement of Financial Position approximates the fair value, because of the short-term nature of the financial instruments. PNSW has not identified any financial instruments whose fair value differs materially from the carrying amount.

20. COMMITMENTS FOR EXPENDITURE

(a) Capital Expenditure Commitments

	2019 $'000	2018 $'000
Capital expenditure contracted at balance date but not provided for:		
Payable within one year	2,556	4,184
Total Capital Expenditure Commitments (Incl GST)	**2,556**	**4,184**

Total capital expenditure commitments relate to contracted refurbishment works on various owned buildings. Capital expenditure commitments at 30 June 2019 include GST recoverable input tax credits of $0.2 million ($0.4m at 30 June 2018) that are expected to be recoverable from the Australian Taxation Office.

(b) Operating Lease Commitments

	2019 $'000	2018 $'000
Head lease future minimum lease payments contracted at balance date but not provided for:		
Payable within one year	388,311	399,497
Payable later than one year but not later than five years	857,349	889,750
Payable later than five years	381,931	425,112
Total Operating Lease Commitments (Incl GST)	**1,627,591**	**1,714,359**

The majority of future minimum lease payments will be recouped by PNSW under sub-leases. Future minimum lease payments and receipts as at 30 June 2019 include GST recoverable input tax credits of $147.9 million ($155.8 million at 30 June 2018) and GST payable of $147.9 million ($155.8 million at 30 June 2018).

(c) Finance Lease Commitments

Expenditure commitments on PNSW's finance lease liabilities are disclosed at Note 14(c).

21. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

PNSW may be liable for payment of compensation arising from claims and other matters subject to litigation. The amounts involved cannot be accurately determined and in some instances are subject to arbitration. These claims are covered by the Treasury Managed Fund.

PNSW is not aware of any other contingent assets or liabilities at 30 June 2019 (Nil at 30 June 2018).

22. RELATED PARTY DISCLOSURES

(a) Key Management Personnel Compensation

During 2018-19, PNSW incurred $2.8 million in respect of the Key Management Personnel services that were provided by DFSI ($3.4 million in 2017-18).

(b) Transactions and Outstanding Balances with Other Related Parties

During 2018-19, other than the remuneration paid to Key Management Personnel by DFSI, PNSW has not entered into other transactions with Key Management Personnel, their close family members and controlled or jointly controlled entities thereof (Nil in 2017-18).

(c) Transactions and Outstanding Balances with Other Government Entities

During 2018-19, PNSW entered into transactions with other entities that are controlled/jointly controlled/significantly influenced by NSW Government. These transactions are collectively, but not individually, a significant portion of PNSW's property rental income, fees for services rendered and grant and contribution revenue.

23. EVENTS AFTER THE REPORTING PERIOD

(a) Adjusting Events

There are no known events after the reporting period which would give rise to a material impact on the reported results or financial position of PNSW as at 30 June 2019.

(b) Non-Adjusting Events

(i) *Owned and Leased Office Accommodation Property Vesting and Property Divestments* – Pursuant to the recommendations of the Government's Property Asset Utilisation Taskforce and subsequent Premier's Memorandum M2012-20, further divestment of various PNSW owned properties, in addition to the ongoing vesting of Government agency owned and leased properties is likely to occur in separate tranches during 2019-20. As the identification and validation of these properties was still in progress at the reporting date, estimates of the financial impact on PNSW's accounts in 2019-20 are not available.

(ii) As a result of Administrative Arrangements (Administrative Changes – Public Service Agencies) Order 2019, in pursuance of part 7 of the *Constitution Act 1902*, PNSW will be transferred from DFSI cluster to a newly created Department of Planning, Industry and Environment (DPIE) cluster, effective 1 July 2019.

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

END OF AUDITED FINANCIAL STATEMENTS