

Place Management NSW

**Annual Report 2017-18,
including Luna Park Reserve Trust
Annual Report 2017-18**

- **Financial statements for the year ended 30 June 2018**
- **Statutory information**

The Hon Victor Dominello, MP
Minister for Finance, Services and Property
GPO Box, 5341
SYDNEY NSW 2001

Dear Minister,

**Place Management NSW and Luna Park Reserve Trust
Annual Report 2017-18**

I am pleased to submit the Annual Report for Place Management NSW and Luna Park Reserve Trust, for the year ended 30 June 2018, 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.

Regards,

Sam Romaniuk
Chief Executive Officer
Place Management NSW

Manager of Luna Park Reserve Trust

Contents

Place Management NSW and Luna Park Reserve Trust Annual Report 2017-18.....	2
1. Charter.....	4
2. Aims and objectives	4
3. Access.....	5
4. Management and structure.....	5
5. Summary review of operations.....	8
6. Funds granted to non-government community organisations.....	10
7. Management and activities	11
8. Human resources	11
9. Workforce Diversity	13
10. Consultants	14
11. Disability inclusion action plans	14
12. Consumer response.....	14
13. Payment of accounts – Place Management NSW	16
14. Payment of accounts – Luna Park Reserve Trust	17
15. Risk management and insurance activities.....	18
16. Internal Audit and Risk Management Attestation Statement – PMNSW.....	21
17. Internal Audit and Risk Management Attestation – Luna Park Reserve Trust	23
18. Digital information security policy attestation 2017/18 – Place Management NSW	25
19. Digital information security policy attestation 2017/18 – Luna Park Reserve Trust	26
20. Multicultural Policies and Services Program	27
21. Work Health and Safety (WHS).....	27
22. Budgets – Place Management NSW.....	29
23. Budgets – Luna Park Reserve Trust	29
24. Additional matters for inclusion	30
25. Liability management performance	30
26. Numbers and remuneration of senior executives	31
27. Credit card certification.....	31
28. Government Information (Public Access) Act 2009	31
29. Public Interest Disclosures.....	31
30. Exemptions and nil reports.....	32

1. Charter

Place Management NSW (PMNSW) is a statutory corporation and its general functions are to:

- protect and enhance the natural and cultural heritage of the foreshore area
- promote, coordinate, manage, undertake and secure the orderly and economic development and use of the foreshore area, including the provision of infrastructure
- promote, coordinate, organise, manage, undertake, secure, provide and conduct cultural, educational, commercial, tourist, recreational, entertainment and transport activities and facilities.

PMNSW is not limited to exercising its functions in relation to land within the foreshore area and includes the management of the Luna Park Reserve Trust (LPRT).

2. Aims and objectives

Under its Legislation (1), PMNSW is responsible for Sydney's most historically and culturally significant waterfront locations. These responsibilities include the care, protection, management and promotion of this land and its important buildings.

PMNSW is the State's premier place making agency. It owns, manages and transforms Sydney's key State-significant heritage and cultural precincts — The Rocks and Darling Harbour — into vibrant, welcoming places that support, sustain and inspire locals and visitors.

Every year PMNSW brings Sydney's foreshore to life in The Rocks and Darling Harbour with a colourful mix of some of the city's biggest and most popular events. The division also cares for the natural and built environments that make the precincts the popular destinations they are today, attracting more than 40 million visitors annually.

PMNSW manages significant commercial and retail leases, provides security, cleaning, building maintenance and other asset management services, and cares for the public domain and over 100 heritage items.

PMNSW also holds ownership of State-significant sites including Ballast Point, and manages other major waterfront assets around Sydney Harbour on behalf of other agencies, such as King Street Wharf. It owns land, parks, wharves and boardwalks at Pyrmont and is responsible for 19 head leases, 89 licences and 150 market stall holders in The Rocks.

Luna Park Reserve Trust

Luna Park Reserve Trust is responsible for the care, control and management of the 3.13 hectares of Milsons Point that make up Luna Park Reserve.

Managed by PMNSW, the Trust oversees a 40-year operating lease for the Luna Park site and manages the Heritage and Infrastructure Fund to conserve and improve the park's heritage and infrastructure features.

The Trust was established in 1990 under the *Luna Park Site Act 1990*. Luna Park Reserve is dedicated under the *Crown Lands Act 1989* for the purpose of public recreation, amusement and entertainment.

The Minister for Finance, Services and Property has administrative responsibility for the Luna Park Reserve and oversees the Trust, any land dealings at Luna Park and its general administration.

The Minister for Planning is the consent authority for any development at Luna Park, which is listed as a Schedule 3 site (State Significant) under *State Environmental Planning Policy – Major Projects 2005*. Luna Park Sydney Pty Ltd, an independent commercial operator, has complete operational responsibility for the day-to-day running of the park.

The Trust works closely with Luna Park Sydney to ensure that the site remains a viable amusement park and entertainment precinct.

Luna Park Reserve Trust financial statements can be found following PMNSW's financial statements.

3. Access

Place Management NSW
66 Harrington Street, The Rocks
PO Box N408, Grosvenor Place NSW 1220
T: 02 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

Role of the Board

The Place Management NSW (PMNSW) Board is appointed in accordance with the *Place Management NSW Act 1998*. The Board oversees PMNSW's policies, management and performance, sets strategic direction for the entity and monitors compliance with statutory requirements. The Board monitors organisational performance against strategic objectives. This is achieved both through written reports from management and direct interaction with senior management at quarterly Board meetings.

The *Code of Conduct and Ethics for Board Members* prescribes procedures for disclosing and dealing with conflicts of interest. As per recommendation 2.1 of TPP 09-2, a Board Charter has been developed.

The NSW Minister for Finance, Services and Property is responsible for the control and direction of PMNSW.

PMNSW's CEO is responsible for the day-to-day management of PMNSW in accordance with specific policies and general direction of the Board, and is subject to the control and direction of the Minister.

Board

From 1 July 2017, PMNSW's Board consisted of Chair, The Hon Helen Coonan, and Board members Martin Hoffman, Secretary, Department of Finance, Services and Innovation; along with PMNSW Chief Executive Officer, Sam Romaniuk, as an ex-officio Board member. In 2017 three Independent board members were appointed to the board, Jill Davies, Jennifer Lambert and Garry Browne.

Board meetings and attendance

Three Board meetings were held in 2017/18. Dates and attendees are outlined in the table below.

Attendees	20 Oct 2017	11 Dec 2017	19 Mar 2018	TOTAL
The Hon Helen Coonan	Yes	Yes	Yes	3/3
Sam Romaniuk	Yes	Yes	Yes	3/3
Martin Hoffman	Yes	Yes	Yes	3/3
Jill Davies	Yes	Yes	Yes	3/3
Jennifer Lambert	Yes	Yes	Yes	3/3
Garry Browne	N/A	Yes	Yes	2/2

The Hon. Helen Coonan

BA, LLB

Board member

Chair, Place Management NSW

Non-Executive Director

Crown Resorts Limited

Chair, Crown Resorts Foundation

Snowy Hydro Limited

Co-Chair, GRACosway Pty Ltd

Chair, Supervised Investments Australia Limited

Australian Children's Television Foundation

Obesity Australia

Chair, Australian Financial Complaints Authority

Advisory Board

J.P. Morgan

Allegis Partners

Appointed as the PMNSW Chair from 1 July 2016 for a period of one year. Reappointed from 4 August 2016 for a period of one year. Reappointed from 4 August 2017 for a period of one year. Helen was reappointed from 30 July 2018 for a period of two years.

Martin Hoffman

MBA (Hons), MAppFin, BEcon

Secretary, Department of Finance, Services and Innovation

Board member

Place Management NSW

Pursuant to *the Place Management NSW Act 1998*, the Secretary of the Department is an ex-officio Board member.

Sam Romaniuk

B.Com, LLB, CA

Chief Executive Officer, Place Management NSW

Executive Director, Place Management, Property NSW

Board member

Place Management NSW

Appointed as Chief Executive Officer 22 December 2015. Pursuant to the *Place Management NSW Act 1998*, the Chief Executive Officer is an ex-officio Board member.

Jill Davies

B.Econ

Principal, Global Strategy & Events Consulting

Board Member

Appointed to the Place Management NSW Board on 1 July 2017 for a period of three years as an independent board member.

Non-Executive Director

Sydney Olympic Park Authority

Roads and Maritime Services

Jennifer Lambert

Bachelor of Business, Masters Economics, AICD, ICA

Board Member

Appointed to the Place Management NSW Board on 1 July 2017 for a period of three years as an independent board member.

Director

Investa Office Management

Shore Council

Sydney Church of England Grammar School

Mosman Church of England Preparatory School

Mission Australia

Garry Browne

Bachelor of Business, Harvard Business School President Management program, AICD

Chief Executive Officer, Stuart Alexander Pty Ltd.

Board Member

Appointed to the Place Management NSW Board on 30 November 2017 for a period of three years as an independent board member.

Director

Life Education Australia

5. Summary review of operations

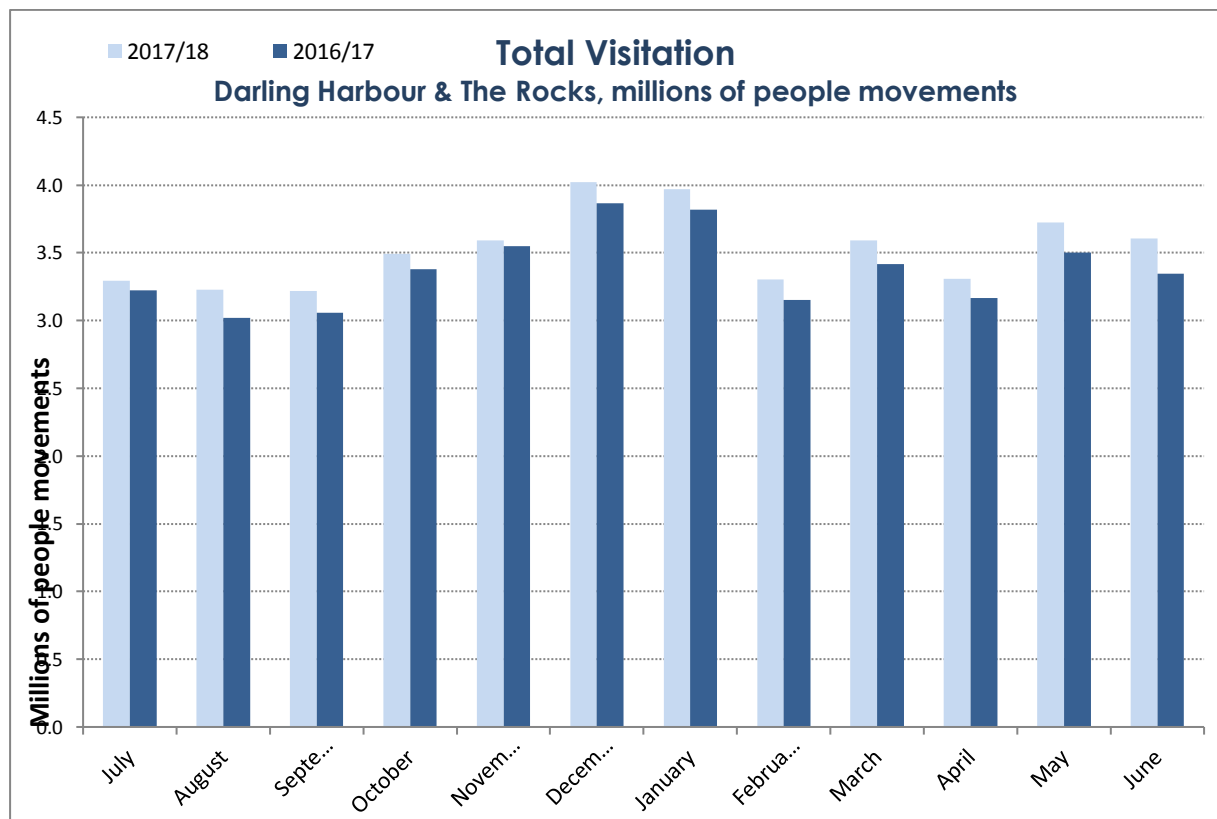
Place Management NSW (PMNSW) manages significant retail leases in The Rocks and Darling Harbour precincts, including over 150 stallholders at The Rocks Markets.

The Rocks, Circular Quay, and Darling Harbour are significant cultural and heritage precincts for Sydney, NSW, and Australia. They are popular destinations for local and international visitors and contribute significantly to the State’s economy.

Despite significant construction activity, tenant sales growth in PMNSW’s retail portfolio has increased by 5% over the past year. This represented a significant growth in food and beverage tenants with growth of 16%.

Vacancies for retail spaces continue to remain low (<1%) in comparison to the Sydney CBD benchmark of 3%. About 15.1 million people movements were recorded in The Rocks in 2017/18, with people enjoying the entertainment, shopping and dining experiences on offer. This was a 3.9% increase on the previous year.

About 27.3 million people movements were recorded in Darling Harbour in 2017/18, with people enjoying attractions and events in the precinct. This was a 5.1% increase on the previous year.¹



¹ Visitor numbers recorded from electronic people counters installed in The Rocks and Darling Harbour. Figures include repeat visits.

Retail Portfolio Performance

PMNSW manages significant retail leases in The Rocks and Darling Harbour precincts, including over 150 stallholders at The Rocks Markets.

The Rocks, Circular Quay, and Darling Harbour are significant cultural and heritage precincts to Sydney, New South Wales, and Australia. They are popular destinations for local and international visitors and contribute significantly to the State's economy.

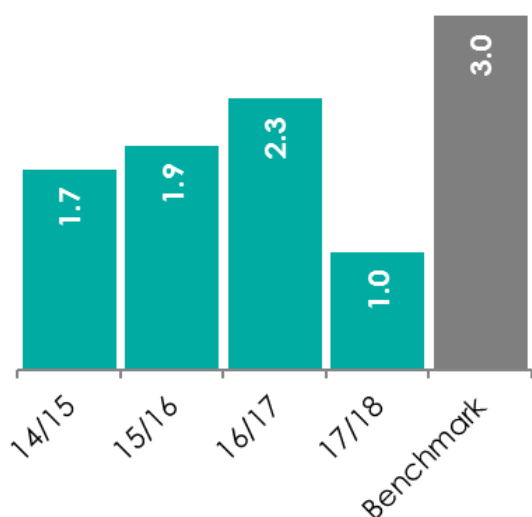
In The Rocks, over 15.1 million people movements were recorded in 2017/18, with visitors enjoying the entertainment, shopping and dining experiences on offer. This was an increase of people movements on the previous year of approximately 4%.

In Darling Harbour, 27.2 million people movements were recorded in 2017/18, with visitors enjoying attractions and events in the precinct. This was an increase in people movements over the previous year of close to 5%.

Despite significant construction activity tenant sales turnover growth in PMNSW's retail portfolio has increased 8% over the past year, representing significant growth across industries including retail, hospitality, and food & beverage tenants.

Vacancies for retail spaces continue to remain low at 1.0%, comparative to the Sydney CBD benchmark of 3.0%².

Retail Property Portfolio Vacancy Rate (%)



² Retail Benchmark source – JLL Sydney CBD Prime Retail Vacancy Rate, June 2018.

International Convention Centre, Sydney

Darling Harbour's International Convention Centre Sydney has generated substantial economic benefits for the State since it opened in December 2016.

The NSW Government delivered the \$1.6 billion, world-class convention, exhibition and entertainment facilities through a public-private partnership.

In its first full financial year, ICC Sydney hosted 732 events and welcomed more than 1.2 million visitors through the doors in 2017/18.

ICC Sydney surpassed both international and interstate delegate targets for 2017/18, which together with local and intrastate ICC Sydney attendees, generated \$765.6 million in direct expenditure into the NSW economy and generated a total 1,467,587 total room nights.

Client satisfaction for 2017/18 was excellent, at 94%, with a likelihood to recommend of 96.4%. Delegate Satisfaction scores were also outstanding with overall satisfaction at 96%, and 94% likelihood to recommend.

For 2017/18, ICC Sydney's contribution to employment was 3,860 jobs, which included 1,191 in indirect jobs and 2,669 in direct jobs.

ICC Sydney was recognised with 21 awards over the period.

6. Funds granted to non-government community organisations

Each year, Place Management NSW (PMNSW) supports a diverse number of events which provide cultural experiences and community-based activities that enrich the lives of visitors to the precincts. These events help create the unique character of Darling Harbour and The Rocks.

PMNSW continued its commitment to cultural organisations, community groups and commercial enterprises, developing, curating and coordinating numerous events in The Rocks and Darling Harbour during the year, including:

- Chinese New Year celebrations – Lunar Lanterns and Dragon Boat Races
- Sydney International Boat Show
- Smooth Festival of Chocolate in The Rocks
- Bastille Festival
- Icecapades – Harbourside Winter school holidays activation
- Head On Photo Festival
- 33 school and community public performances
- a substantial cultural program of festivals from around the world. These festivals are among Australia's leading multicultural celebrations, where visitors explore various cultures through the arts, history, entertainment and great food.

These events bring a rich mix of activities for visitors to enjoy and provide opportunities for tenants to participate.

PMNSW was also a partner for a number of community festivals and provided significant on-the-ground operational support:

- Community and Cultural Festivals (\$250,000)

7. Management and activities

Place Management NSW (PMNSW) is responsible for the ownership and management of NSW's state-significant precincts, The Rocks and Darling Harbour.

PMNSW aims to uphold community, social, heritage and commercial interests by providing world-class places and experiences that attract more than 40 million visitors per year to our precincts. The division's multidisciplinary experience extends to asset management, retail and commercial leasing, strategic planning and heritage, as well as events and marketing.

PMNSW works to ensure the activation of our precincts for the mutual benefit of tenants, visitors and the taxpayers of NSW.

Key achievements for PMNSW in FY18 included:

- the commencement of a \$23 million renewal of the heritage-listed Pyrmont Bridge
- the commencement of a \$15 million upgrade of the public domain at Campbells Cove
- a \$15 million revitalisation of the wharves and jetties at Cockle Bay
- a successful first year for the new ICC Sydney, with more than one million visitors.
- the continued refresh of the retail offering in The Rocks, with 30 new retailers over the past three years.
- completing the refurbishment of The Rocks Centre.
- a 4.5% increase in visitation to The Rocks and Darling Harbour, to more than 42 million across both precincts

8. Human resources

Employment Statistics

Division	2015 ^{3,4}	2016 ^{3,4}	2017 ^{3,4}	2018 ^{3,4}
Senior Executive	3	-	5	4.0
Senior Officer	18	13	-	-
Ongoing	107.7	99.3	20.6	26.4
Temporary	10.6	16.5	7.8	2.0
Graduate	-	-	1	-
Total	139.3	128.8	34.4	32.4

³ 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).

⁴ Statistics are based on Workforce Profile census data as at 18 June 2015, 30 June 2016, 29 June 2017 and 28 June 2018.

	2017 ^{5,6,7}				2018 ^{5,6,7}			
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	0	0	0%	0	0	0	0%
Band 2 (Executive Director)	0	1	1	0%	0	1	1	0%
Band 1 (Director)	3	1	4	75%	2	1	3	66.7%
Total	3	2	5	60%	2	2	4	50.0%

	2017 ⁸		2018 ⁸	
Senior Executive Band	Range \$	Average Remuneration \$	Range \$	Average Remuneration \$
Band 4 (Secretary)	452,250 - 522,500	0	463,551 - 535,550	0
Band 3 (Deputy Secretary)	320,901 - 452,250	0	328,901 - 463,550	0
Band 2 (Executive Director)	255,051 - 320,900	281,875	261,451 - 328,900	288,922
Band 1 (Director)	178,850 - 255,050	219,453	183,300 - 261,450	235,784

Employee related costs

Employee related costs 2017	Amount
Executive	\$889,842
Non-Executive	\$4,315,221
Total	\$5,205,063
Ratio Senior Executive	17.1%

In 2018, 17.1% of employee related expenditure was for senior executives, compared with 2017 which was 19.4%.

⁵ Senior Executive statistics exclude casuals, contractor/agency staff, statutory appointments, staff on secondment to other agencies and staff on long term leave without pay.

⁶ Statistics are based on Workforce Profile census data as at 29 June 2017 and 28 June 2018.

⁷ All employees reported in 2017 and 2018 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.

⁸ Salary ranges effective at the Workforce Profile census dates of 29 June 2017 and 28 June 2018.

9. Workforce Diversity

Trends in the Representation of Workforce Diversity Groups				
Workforce Diversity Group	Benchmark	2016 ^{9,10}	2017 ^{9,10}	2018 ⁹
Women ¹¹	50%	52.2%	64.9%	63.6%
Aboriginal People and/or Torres Strait Islander People ¹²	3.3%	0.0%	3.2%	3.2%
People whose First Language Spoken as a Child was not English ¹³	23.2%	12.1%	12.6%	13.2%
People with a Disability ¹⁴	5.6%	0.7%	0.0%	3.2%
People with a Disability Requiring Work-Related Adjustment ¹⁴	N/A	0.0%	0.0%	0.0%

Trends in the Distribution of Workforce Diversity Groups				
Workforce Diversity Group	Benchmark ^{15,16}	2016	2017	2018
Women	100	93	N/A	N/A
Aboriginal People and/or Torres Strait Islander People	100	N/A	N/A	N/A
People whose First Language Spoken as a Child was not English	100	N/A	N/A	N/A
People with a Disability	100	N/A	N/A	N/A
People with a Disability Requiring Work-Related Adjustment	100	N/A	N/A	N/A

⁹ Statistics are based on Workforce Profile census data as at 30 June 2016, 29 June 2017 and 28 June 2018.

¹⁰ Workforce diversity statistics for 2016 and 2017 reflect the current composition of the department and may vary from those reported in previous annual reports.

¹¹ The benchmark of 50% for representation of women across the sector is intended to reflect the gender composition of the NSW community.

¹² 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%.

¹³ 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 23.2% is the percentage of the NSW general population born in a country where English is not the predominant language.

¹⁴ 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.

¹⁵ 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.

¹⁶ 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

Place Management NSW (PMNSW) engages consultants for specialised work on an as-needed basis, including for economic appraisals and financial services.

In 2017/18, PMNSW engaged one consultant whose fees were more than \$50,000.

This was an engagement with KPMG for accounting advice relating to the SICEEP, for a total cost of \$82,996.30.

PMNSW did not engage any consultants whose fees were less than \$50,000.

11. Disability inclusion action plans

As part of the Department of Finance, Services and Innovation (DFSI), Place Management 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 disability
- the creation of more liveable communities for people with disability
- the achievement of a higher rate of meaningful employment participation by people with disability through inclusive employment practices
- more equitable access to mainstream services for people with disability through better systems and processes.

12. Consumer response

Place Management NSW, as part of the Property and Advisory Group (PAG), responded efficiently and effectively to feedback from customers, tenants and visitors to its precincts.

Our primary channel of feedback was through the Customer Request Management System (CRMS).

This system was linked to a dedicated Customer Service Request Line which operated 24 hours a day, seven days a week and allowed us to identify key trends and issues within its precincts and respond accordingly.

Across PAG, we received an average of 1,480 complaints, comments and queries per month during the reporting period. Correspondence related to a range of matters, including cleanliness, maintenance and access. We responded quickly and equitably to CRMS complaints, completing an average of 98% of all requests on time.

Additionally, we encourage feedback from the general public via an email address on our corporate website, www.property.nsw.gov.au. We received 733 compliments, complaints and enquiries through this channel during the reporting period.

Further, in line with the Premier's Priority to improve government services, we introduced a Complaint Handling Improvement Program (CHIP) widget on the corporate website.

During the reporting period, we received 14 complaints, 16 suggestions and 12 compliments. The average time to resolve and close complaints was five working days.

Feedback is also received via our precinct channels. In 2017-18, we captured 8,398 posts on the Darling Harbour Facebook page and 8,578 posts on The Rocks Facebook page. We also actioned 559 enquiries via the Darling Harbour website and 309 enquiries via The Rocks website. In addition, we meet face-to-face with tenants across The Rocks and Darling Harbour.

13. Payment of accounts – Place Management NSW

The table below highlights Place Management NSW's account payment performance for 2017/18.

PLACE MANAGEMENT NSW

ACCOUNT PAYMENT PERFORMANCE AS AT 2017-18

Total PM NSW Entity

ACCOUNT PAYMENT PERFORMANCE PM NSW ENTITY - ALL PAYMENTS AS AT 2017-18	FULL YEAR				
	1ST QTR	2ND QTR	3RD QTR	4TH QTR	TOTAL
ALL SUPPLIERS					
Value of Invoices Paid (\$'000)					
Paid Before Due	\$84,597	\$93,554	\$96,382	\$125,017	\$399,550
<30 Days Overdue	\$11,690	\$2,353	\$122	\$109	\$14,273
>30<60 Days Overdue	\$2,343	\$710	\$80	\$2	\$3,135
>60<90 Days Overdue	\$242	\$191	\$2	\$0	\$435
>90 Days Overdue	\$3,738	\$2,988	\$28	\$0	\$6,754
Total Value of Invoices Paid (\$'000)	\$102,611	\$99,795	\$96,614	\$125,128	\$424,148
% Paid on Time - By Value	82%	94%	100%	100%	94%
Number of Invoice Paid					
Paid Before Due Date	1,112	928	897	970	3,907
Paid Past Due Date	807	158	15	8	988
Total Number of Invoices Paid	1,919	1,086	912	978	4,895
% Paid on Time - By Number	58%	85%	98%	99%	80%
Interest Paid					
Number of Payments for Interest on:					
Overdue Invoices	0	0	0	-	0
Interest Paid on Over due Invoices	0	-	0	0	-
SMALL BUSINESS SUPPLIERS					
Value of Invoices Paid (\$'000)					
Paid Before Due Date					
<30 Days Overdue					
>30<60 Days Overdue					
>60<90 Days Overdue					
>90 Days Overdue					
Total Value of Invoices Paid (\$'000)	-	-	-	-	-
Total Value Paid on Time (%)	82%	94%	100%	100%	94%
Number of Invoices Paid					
Paid Before Due Date					
Paid Past Due Date					
Total Number of Invoices Paid	-	-	-	-	-
% Paid on Time - By Number	0%	0%	0%	0%	0%
Interest Paid					
Number of Payments for Interest on:					
Overdue Invoices	-	-	-	-	-
Interest Paid on Over due Invoices	0	-	0	0	-

During the migration to SAP, vendors were invited to complete/renew a small business declaration. As no vendors submitted a declaration, the number of invoices at 30 June 2018 for small business is \$0.

14. Payment of accounts – Luna Park Reserve Trust

The table below highlights Luna Park Reserve Trust's account payment performance for 2017/18.

Luna Park Reserve Trust

ACCOUNT PAYMENT PERFORMANCE AS 2017-18

Total PM NSW Entity

ACCOUNT PAYMENT PERFORMANCE LPRT ENTITY - ALL PAYMENTS AS AT 2017-18	FULL YEAR				
	1ST QTR	2ND QTR	3RD QTR	4TH QTR	TOTAL
ALL SUPPLIERS					
Value of Invoices Paid (\$'000)					
Paid Before Due	\$1,909	\$11	\$0	\$1	\$1,921
<30 Days Overdue	\$7	\$357	\$197	\$211	\$772
>30<60 Days Overdue	\$155	\$0	\$283	\$9	\$447
>60<90 Days Overdue	\$0	\$0	\$0	\$538	\$538
>90 Days Overdue	\$0	\$0	\$0	\$0	-
Total Value of Invoices Paid (\$'000)	\$2,071	\$367	\$480	\$759	\$3,677
% Paid on Time - By Value	92%	3%	0%	0%	52%
Number of Invoice Paid					
Paid Before Due Date	7	2	-	1	10
Paid Past Due Date	2	7	5	11	25
Total Number of Invoices Paid	9	9	5	12	35
% Paid on Time - By Number	78%	22%	0%	9%	29%
Interest Paid					
Number of Payments for Interest on:					
Overdue Invoices	0	0	0	-	0
Interest Paid on Over due Invoices	0	-	0	0	-
SMALL BUSINESS SUPPLIERS					
Value of Invoices Paid (\$'000)					
Paid Before Due Date					
<30 Days Overdue					
>30<60 Days Overdue					
>60<90 Days Overdue					
>90 Days Overdue					
Total Value of Invoices Paid (\$'000)	-	-	-	-	-
Total Value Paid on Time (%)	92%	3%	0%	0%	52%
Number of Invoices Paid					
Paid Before Due Date					
Paid Past Due Date					
Total Number of Invoices Paid	-	-	-	-	-
% Paid on Time - By Number	0%	0%	0%	0%	0%
Interest Paid					
Number of Payments for Interest on:					
Overdue Invoices	-	-	-	-	-
Interest Paid on Over due Invoices	0	-	0	0	-

During the migration to SAP, vendors were invited to complete/renew a small business declaration. As no vendors submitted a declaration, the number of invoices at 30 June 2018 for small business is \$0.

15. Risk management and insurance activities

Risk Management

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

- Adopting the DFSI Risk and Resilience Framework to manage strategic and business risks, which is consistent with PMNSW'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*
- Australian/New Zealand Risk Management Standard (AS/NZS ISO31000): *Risk Management Principles and Guidelines*

Key achievements during 2017/18:

- Better integration of risk management with strategic and business planning processes
- Developed risk management system
- Developed standard risk reporting
- Successfully conducted Business Continuity walkthrough exercise
- Completed annual compliance attestation

Insurance Arrangements and Activities

PMNSW had insurance arrangements in place for all its assets and major risk. Insurable risk cover was primarily 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 Place Management NSW for financial year 2016-17 and 2017-18 are shown in the table below:

	Number of Claims		Net incurred cost (\$)	
	2016-17	2017-18	2016-17	2017-18
Workers Comp	1	-	\$26,129	-
Property	1	3	\$20,000	\$295,799
Liability	9	2	\$255,860	\$550
Motor vehicle	1	1	\$5,284	\$3,800
Miscellaneous	-	-	-	-
Total	12	6	\$307,273	\$300,149

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.

Property and Advisory Group Audit and Risk Committee (ARC)

Place Management NSW, as part of Property and Advisory Group (PAG), had an Audit and Risk Committee (ARC) in place during 2017-18 financial year. The Audit and Risk Committee 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 (PNSW)
- Teacher Housing Authority (THA)
- Waste Assets Management Corporation (WAMC)
- Place Management NSW (PMNSW)
- Luna Park Reserve Trust (LPRT)

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

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

The committee met five times during the 2017-18 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 2019
- Mark O'Sullivan, Independent Member, from 25 January 2016 to 24 January 2018
- Nirmal Hansra, Independent Member, from 20 December 2017 to 19 December 2020

16. Internal Audit and Risk Management Attestation Statement – Place Management NSW

Internal Audit and Risk Management Attestation Statement for the 2017-2018 Financial Year for Place Management NSW

I, Sam Romaniuk, Chief Executive Officer, am of the opinion that Place Management 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 2019;
- Nirmal Hansra, Independent Member, from 20 December 2017 to 19 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
- Property NSW
- Teacher Housing Authority
- Waste Assets Management Corporation
- Place Management NSW



Sam Romaniuk
Chief Executive Officer
Place Management NSW

Date: 19/9/18

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

17. Internal Audit and Risk Management Attestation – Luna Park Reserve Trust

Internal Audit and Risk Management Attestation Statement for the 2017-2018 Financial Year for Luna Park Reserve Trust

I, Sam Romaniuk, Chief Executive Officer, Place Management NSW (Manager of the Trust), am of the opinion that Luna Park Reserve Trust 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 2019;
- Nirmal Hansra, Independent Member, from 20 December 2017 to 19 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
- Property NSW
- Teacher Housing Authority
- Waste Assets Management Corporation
- Place Management NSW



Sam Romaniuk
Chief Executive Officer
Place Management NSW
(Manager of the Trust)

Date: 19/9/18

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

18. Digital information security policy attestation 2017/18 – Place Management NSW

Digital Information Security Annual Attestation Statement for the 2017-2018 Financial Year for Place Management NSW

I, Sam Romaniuk, am of the opinion that Place Management NSW had an Information Security Management System in place during the 2017-2018 financial year that is consistent with the Core Requirements set out in the NSW Government Digital Information Security Policy.

The controls in place to mitigate identified risks to the digital information and digital information systems of Place Management NSW are adequate with exception to control deficiencies identified in one of the ICT shared services providers. The service provider has taken some remediation actions to address the control deficiencies and will consult with impacted agencies on action plan to address the remaining deficiencies.

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



Sam Romaniuk
Chief Executive Officer
Place Management NSW

19. Digital information security policy attestation 2017/18 – Luna Park Reserve Trust

Digital Information Security Annual Attestation Statement for the 2017-2018 Financial Year for Luna Park Reserve Trust

I, Sam Romaniuk, am of the opinion that Luna Park Reserve Trust had an Information Security Management System in place during the 2017-2018 financial year that is consistent with the Core Requirements set out in the *NSW Government Digital Information Security Policy*.

The controls in place to mitigate identified risks to the digital information and digital information systems of Luna Park Reserve Trust are adequate with exception to control deficiencies identified in one of the ICT shared services providers. The service provider has taken some remediation actions to address the control deficiencies and will consult with impacted agencies on action plan to address the remaining deficiencies.

There is no agency under the control of Luna Park Reserve Trust which is required to develop an independent ISMS in accordance with the NSW Government Digital Information Security Policy.



Sam Romaniuk
Chief Executive Officer, Place Management NSW
Manager of Luna Park Reserve Trust

20. Multicultural Policies and Services Program

Place Management NSW (PMNSW), as part of the Property and Advisory Group (PAG), 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.

At an agency level, PMNSW 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.
- hosting a detailed calendar of community festivals in Darling Harbour, celebrating multiculturalism.
- the establishment of a Diversity Working Group within 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 ability employee representation.

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

21. Work Health and Safety (WHS)

In 2017/18, Place Management NSW (PMNSW) continued to take a proactive approach in managing the safety of all employees, other workers, tenants and visitors to its properties, sites and activations.

With the amalgamation of business groups within the Department of Finance, Services and Innovation (DFSI) to create the Property and Advisory Group, a cluster-wide safety management system is being developed to ensure a consistent approach to the reporting and management of safety incidents and activities.

Specific Property and Advisory Group WHS activities undertaken in 2017/18 include:

- development of a Property Advisory Group and incident management software system
- initiated roll-out of the Integrum incident management software to several business units
- roll out of a group incident management procedure
- increased WHS support before, during and after State Significant Events such as New Year's Eve, Australia Day and Vivid including on-the-ground WHS pre-inspections
- participating in the Harrington St Operational Readiness Working Group. This was followed by WHS advice and support during the practical re-settlement of personnel at 66 Harrington

- assisting in the coordination of health and wellbeing initiatives such as the flu vaccination program and provision of a lactation / faith room separate to our first aid room at Harrington St.
- development of a Work Health and Safety Management System

WHS incidents – Place Management NSW

The following number of incidents were reported during the period 2017/18:

- 10 staff incidents.

There were no SafeWork NSW notifiable incidents or dangerous occurrences affecting staff.

WHS induction and training

Property and Advisory Group 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 2018, there was 100% course completion by eligible workers across the group across the group.

WHS consultation

The WHS Consultative Committee has continued to be active in consultation upon WHS issues. Notably providing important feedback on the proposed group-wide Department of Finance Service and Innovation WHS framework.

The Property and Advisory Group WHS Committee reviewed, updated and approved a number of Safe Operating Procedures coinciding with the roll out of the Integrum Incident Management software system and the development of the Work Health and Safety Management System

Contractor management

WHS reviews for PMNSW facilities-related contractors continued through 2017/2018. These reviews give contract managers insight and assurance that WHS activities, as specified in the contract, are being delivered. As at 30 June 2018, 44 contractor WHS reviews had been completed for FY17/18.

The online Visitor Registration web platform has continued to be used for WHS contractor inductions and vehicle access inductions for Darling Harbour and The Rocks precincts. This system will continue until a more suitable alternative is sourced.

22. Budgets – Place Management NSW

Performance against budget

Place Management NSW (PMNSW), including the financial performance of the Sydney International Convention Centre, finished the year with a net deficit of \$10 million.

PMNSW delivered a shortfall in revenue primarily due to lower than budgeted profit on asset disposals, as six assets were deferred to 2018/19, costing the budget \$38 million in profit.

In addition, because of an improved cash position due to gains made on refinancing loans in 2016/17, NSW Treasury reduced PMNSW's FY2017/18 grant revenue by \$40.4m.

Offsetting the shortfall in revenue, expenses finished the year \$14.6 million favourable to budget. This is primarily due to \$19.5 million worth of major planned maintenance being deferred to 2018/19 and forward years.

PMNSW's property portfolio, which includes the Rocks and Darling Harbour, public domains and specialised assets, continues to deliver a net contribution to the group. Strong asset strategies are in place to minimise vacancies, improve tenancy mix, and activate precincts.

Budget overview

PMNSW is forecasted to deliver a \$57.6 million deficit in the 2018/19 financial year.

The forecasted deficit is primarily due to non-cash expenses of \$77 million in depreciation charges, and finance lease expenses of \$59.9 million. Partially offsetting this is finance lease income of \$12 million.

Within the 2018/19 budget, a \$6m increase in Major Planned Maintenance (MPM) and Investment Program Property (IPP) works are budgeted to reflect the increased emphasis on maintenance and deal with a backlog of delayed works.

	2016/17 actual \$'000	2017/18 actual \$'000	2017/18 budget \$'000	2017/18 variance \$'000	2018/19 budget \$'000
Place Management NSW					
Expenses	283,049	418,480	433,131	14,651	371,402
Revenues	204,191	307,291	346,391	(39,100)	289,155
Other gains/(losses) [^]	116,489	101,147	54,561	46,586	24,604
Net operating result - surplus/(deficit)	37,631	(10,042)	(32,179)	22,137	(57,643)

23. Budgets – Luna Park Reserve Trust

Performance against budget

Luna Park Reserve Trust finished the year unfavourably to budget by \$1 million. This was a result of additional unplanned maintenance expenses occurring in the 2017/18 financial year.

Budget overview

Luna Park Reserve Trust is budgeted to return to surplus over the 2018/19 financial year.

There is a budgeted increase in maintenance expenditure over 2018/19 as projects have been identified by Luna Park Operator.

	2016/17 actual \$'000	2017/18 actual \$'000	2017/18 budget \$'000	2017/18 variance \$'000	2018/19 budget \$'000
Luna Park Reserve Trust					
Expenses	4,398	3,292	1,964	(1,328)	2,038
Revenues	5,128	2,185	1,969	216	2,048
Other gains/(losses)	-	-	-	-	-
Net operating result - surplus/(deficit)	730	(1,107)	5	(1,112)	10

24. Additional matters for inclusion

Privacy and Personal Information Protection Act 1998 (PIIP Act)

The *Privacy and Personal Information Protection (PIIP) 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 PMNSW manages its obligations under the PIIP Act is available at <http://www.property.nsw.gov.au/government-property-nsw-privacy-statement>.

Accessing this report

This report is available for download at www.property.nsw.gov.au/aboutus

25. Liability management performance

Debt management

At 30 June 2018, Place Management NSW's total borrowings was \$1.4 billion. It included \$270.9 million finance lease liability and \$1.1 billion state guaranteed fixed loans from NSW Treasury Corporation (TCorp) maturing between 2020 to 2029. TCorp manages the debt portfolio on behalf of PMNSW based on an agreement between the parties.

TCorp has confirmed PMNSW's cost of debt for the year as at 30 June 2018 was 2.30% (see below).

Total Relative Market Value Performance	Month	FYTD	12 Month
Market Value Cost Of Funds	0.66%	2.30%	2.30%

26. Numbers and remuneration of senior executives

See Human Resources.

27. Credit card certification

Place Management NSW relies on the DFSI Corporate Credit Card Policy that complies with NSW Treasury's TD 205.01. Cardholders are required to observe the policy and complete a reconciliation form each month, which is authorised by Place Management's Executive Director.

28. 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.

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

29. Public Interest Disclosures

As staff members are employees of DFSI, Place Management 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 Place Management NSW officials for the period 1 July 2016 to 30 June 2017.

30. Exemptions and nil reports

Reporting requirement	Reason for exemption
Economic or other factors	N/A
Legal change	No legal change.
Land disposal	No properties with a value greater than \$5 million were disposed of during 2017-18 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/ .
Agreements with Multicultural NSW	Place Management NSW does not have any agreements with Multicultural NSW under the <i>Multicultural Act 2000</i> .
Implementation of price determination	Place Management NSW is not subject to determinations or recommendations of the Independent Pricing and Regulatory Tribunal of NSW.
Promotion	No Place Management NSW employees undertook overseas travel to promote or develop the business during the reporting period.
Disclosure of controlled entities	N/A
Disclosure of subsidiaries	Place Management NSW does not control or hold shares in any subsidiaries within the meaning of the <i>Corporations Act 2001 (Cth.)</i> .
Investment Performance	Place Management NSW does not have an investment portfolio.
Requirements arising from employee arrangements	N/A
Research and Development	N/A

Place Management NSW

**Annual Report 2017-18,
including Luna Park Reserve Trust
Annual Report 2017-18**

- **Financial statements for the
year ended 30 June 2018**



INDEPENDENT AUDITOR'S REPORT

Place Management NSW

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Place Management NSW (PMNSW), which comprise the Statement of Comprehensive Income for the year ended 30 June 2018, the Statement of Financial Position as at 30 June 2018, 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 PMNSW as at 30 June 2018 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 PMNSW 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

Other information comprises the information included in PMNSW annual report for the year ended 30 June 2018, other than the financial statements and my Independent Auditor's Report thereon. The members of the Board of PMNSW are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprises the Statement by Members.

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 Board's Responsibilities for the Financial Statements

The members of the Board are 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 members of the Board determine 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 members of the Board are responsible for assessing PMNSW's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting except where PMNSW will be dissolved by an Act of Parliament or otherwise cease operations.

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 PMNSW carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

A handwritten signature in blue ink, appearing to read 'W. Liao', with a vertical line extending downwards from the end of the signature.

Weini Liao
Director, Financial Audit Services

20 September 2018
SYDNEY

Place Management NSW

Financial Statements

For the Year Ended 30 June 2018

Statement by Members

Pursuant to Section 41C of the *Public Finance and Audit Act 1983*, on behalf of Place Management NSW, we declare that in our opinion:

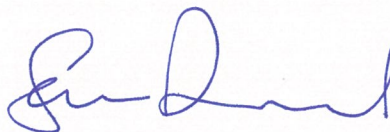
- (a) The accompanying financial statements exhibit a true and fair view of Place Management NSW's financial performance for the financial year ended 30 June 2018 and financial position as at 30 June 2018; and
- (b) The financial statements comply with applicable Australian Accounting Standards (which 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, we are not aware of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.



The Hon. Helen Coonan
Chair
Place Management NSW

Date: 20 September 2018



Sam Romaniuk
Chief Executive Officer
Place Management NSW

Date: 20 September 2018

PLACE MANAGEMENT NSW
Audited Financial Statements
Statement of Comprehensive Income
For the Year Ended 30 June 2018

	Note	Actual 2018 \$'000	Actual 2017 \$'000
Revenue			
Sale of Goods and Services	B1(a)	188,979	118,905
Investment Revenue	B1(b)	16,049	21,740
Grants and Contributions	B1(c)	96,004	52,427
Other Revenue	B1(d)	6,259	11,119
Total Revenue		307,291	204,191
Expenses Excluding Losses			
Operating Expenses:			
Personnel Services Expenses	B2(a)	-	12,297
Property Related Expenses	B2(b)	145,252	103,076
Other Operating Expenses	B2(c)	62,143	39,255
Depreciation and Amortisation	B2(d)	79,356	58,253
Grants and Subsidies	B2(e)	-	3,200
Finance Costs	B2(f)	131,729	66,968
Total Expenses Excluding Losses		418,480	283,049
Gain/(Loss) on Disposal of Non-Current Assets	B3(a)	2,171	65
Other Gains/(Losses)	B3(b)	98,976	116,424
Net Result Before Income Tax Equivalent		(10,042)	37,631
Income Tax Equivalent	B4(a)	-	-
Net Result After Income Tax Equivalent		(10,042)	37,631
Other Comprehensive Income			
Items that will not be Reclassified to Net Result:			
Net Increase/(Decrease) in Property, Plant and Equipment Revaluation Surplus	E1(b)	31,548	41,519
Total Other Comprehensive Income		31,548	41,519
TOTAL COMPREHENSIVE INCOME		21,506	79,150

[The accompanying notes form part of these financial statements]

PLACE MANAGEMENT NSW
Statement of Financial Position
As At 30 June 2018

	Notes	Actual 2018 \$'000	Actual 2017 \$'000
ASSETS			
Current Assets			
Cash and Cash Equivalents	C1(a)	178,457	212,072
Receivables	C2(a)	63,120	65,323
Inventories	C3(a)	758	587
Non-Current Assets Held for Sale	C4(a)	25,000	25,000
Total Current Assets		267,335	302,982
Non-Current Assets			
Receivables	C2(a)	145,267	154,922
Investment Properties	C5(a)	614,532	519,439
Property, Plant and Equipment	C6(a)	1,871,305	1,877,143
Intangible Assets	C8(a)	575	2,279
Total Non-Current Assets		2,631,679	2,553,783
TOTAL ASSETS		2,899,014	2,856,765
LIABILITIES			
Current Liabilities			
Trade and Other Payables	D1(a)	114,087	109,367
Borrowings	D2(a)	12,207	18,477
Provisions	D3(a)	5,688	7,840
Other Liabilities	D4(a)	5,460	4,330
Total Current Liabilities		137,442	140,014
Non-Current Liabilities			
Borrowings	D2(a)	1,340,697	1,316,517
Other Liabilities	D4(a)	33,027	33,892
Total Non-Current Liabilities		1,373,724	1,350,409
TOTAL LIABILITIES		1,511,166	1,490,423
NET ASSETS		1,387,848	1,366,342
EQUITY			
Accumulated Funds	E1(a)	1,230,371	1,240,413
Asset Revaluation Reserve	E1(b)	157,477	125,929
TOTAL EQUITY		1,387,848	1,366,342

[The accompanying notes form part of these financial statements]

PLACE MANAGEMENT NSW
Statement of Changes in Equity
For the Year Ended 30 June 2018

	Note	Asset			Asset		
		Accumulated	Revaluation	Total	Accumulated	Revaluation	Total
		Funds	Reserve	Equity	Funds	Reserve	Equity
		2018	2018	2017	2017	2017	
		\$'000	\$'000	\$'000	\$'000	\$'000	
Opening Balance		1,240,413	125,929	1,366,342	1,277,000	158,755	1,435,755
Net Result for the Year		(10,042)		(10,042)	37,631		37,631
Other Comprehensive Income							
Transfer of Asset Revaluation Reserve on Disposed Assets	E1(a)	-	-	-	74,345	(74,345)	-
Net Increase/(Decrease) in Property, Plant and Equipment Revaluation Surplus	E1(b)	-	31,548	31,548	-	41,519	41,519
Total Other Comprehensive Income		-	31,548	31,548	74,345	(32,826)	41,519
Total Comprehensive Income for the Year		(10,042)	31,548	21,506	111,976	(32,826)	79,150
Transactions with Owners as Owners							
Financial Distributions	E1(a)	-	-	-	(115,113)	-	(115,113)
Net Increase/(Decrease) in Net Assets from Equity Transfers	E1(a)	-	-	-	(33,450)	-	(33,450)
Total Transactions with Owners as Owners		-	-	-	(148,563)	-	(148,563)
Closing Balance		<u>1,230,371</u>	<u>157,477</u>	<u>1,387,848</u>	<u>1,240,413</u>	<u>125,929</u>	<u>1,366,342</u>

[The accompanying notes form part of these financial statements]

PLACE MANAGEMENT NSW

Statement of Cash Flows

For the Year Ended 30 June 2018

	Note	Actual 2018 \$'000	Actual 2017 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Payments to Suppliers (inclusive of GST)		(213,273)	(144,293)
Finance Costs		(99,657)	(35,839)
Grants and Subsidies		-	(3,200)
Income Tax Equivalent Paid		-	(288)
Other		(6,133)	(4,895)
Total Payments		(319,063)	(188,515)
Receipts			
Receipts from Customers (inclusive of GST)		234,197	182,150
Interest Received		2,212	2,734
Grants and Contributions		96,004	52,427
Total Receipts		332,413	237,311
NET CASH FLOWS FROM OPERATING ACTIVITIES	C1(c)	13,350	48,796
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of Property, Plant and Equipment		(40,282)	(4,365)
Proceeds from Sale of Property, Plant and Equipment		7,480	65
Proceeds from Monetisation of Finance Lease Receivable		-	188,489
NET CASH FLOWS FROM INVESTING ACTIVITIES		(32,802)	184,189
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of Finance Lease Liabilities		(14,163)	(3,968)
Financial Distributions to the State Government	E1(a)	-	(115,113)
Proceeds from Refinancing Gain		-	32,326
NET CASH FLOWS FROM FINANCING ACTIVITIES		(14,163)	(86,755)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(33,615)	146,230
Opening Cash and Cash Equivalents		212,072	65,842
CLOSING CASH AND CASH EQUIVALENTS	C1(a)	178,457	212,072

[The accompanying notes form part of these financial statements]

PLACE MANAGEMENT NSW

Section A: Entity Information and Basis of Preparation

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

A1. REPORTING ENTITY

Place Management NSW (PMNSW) was established under the Place Management NSW Act 1998 ("the Act") and is responsible for Sydney's most historically and culturally significant waterfront locations - principally within The Rocks and Darling Harbour precincts in Sydney. These responsibilities include the care, protection, management and promotion of this land and its important buildings. Place Management NSW also manages significant commercial and retail leases, provides security, cleaning, building maintenance and other asset management services, and cares for the public domain and over 100 heritage items.

PMNSW commenced operations in 1998 and is domiciled in Australia. Its principal business address is Foreshore House, 66 Harrington St, The Rocks, Sydney NSW 2000. PMNSW is indirectly consolidated as part of the NSW Total State Sector Accounts.

These financial statements for the year ended 30 June 2018 have been authorised for issue by PMNSW's Board on 20 September 2018.

A2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

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

- (i) applicable Australian Accounting Standards (which include Australian Accounting Interpretations);
- (ii) the requirements of the *Public Finance and Audit Act 1983* and *Public Finance and Audit Regulation 2015*; and
- (iii) the Financial Reporting Directions 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 using the effective interest method. Other financial report items are prepared in accordance with the historical cost convention except where specified otherwise.

In the application of PMNSW'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.

PMNSW has assessed its profit status for the financial year ended 30 June 2018 and determined its status as not-for-profit for financial reporting purposes, as profit is not its principle objective. All amounts are rounded to the nearest one thousand dollars (\$'000) and are expressed in Australian currency.

(b) Statement of Compliance

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

PLACE MANAGEMENT NSW

Section A: Entity Information and Basis of Preparation

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

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

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

- (i) amount of GST incurred by PMNSW as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of an asset's cost of acquisition or as part of the expense; and
- (ii) receivables and payables are stated inclusive of the amount of GST included.
- (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 cash flow statement on a gross basis. However, the GST components of cash flows arising from investing and financing activities which is recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

(d) Comparative information

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

(e) 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 PMNSW'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 PMNSW 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 PMNSW 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).

PMNSW 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 C4, C5, C6, C7 and F1 for further disclosures regarding fair value measurements of financial and non-financial assets.

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

(i) Effective for the First Time in 2017-18

The accounting policies applied in 2017-18 are consistent with those of the previous financial year except as a result of the following revised Australian Accounting Standards that have been applied for the first time in 2017-18:

- AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107 Statement of Cash Flows.
- AASB 2016-4 Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities.
- AASB 2016-7 Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities.
- AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle.

The adoption of the above revised Australia Accounting Standards have not had any significant impact on PMNSW.

PLACE MANAGEMENT NSW

Section A: Entity Information and Basis of Preparation

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

(ii) Issued but Not Yet Effective

NSW public sector entities are not permitted to early adopt new Australian Accounting Standards, unless Treasury determines otherwise. There are a number of recently issued or amended Australian Accounting Standards which are not yet effective and have not been adopted for the reporting period ending 30 June 2018.

The following new Australian Accounting Standards, excluding standards not considered applicable or material to PMNSW have not been applied and are not yet effective. The possible impact of these standards in the period of initial application includes:

- AASB 16 "Leases" has application from annual reporting periods on or after 1 January 2019. This standard generally requires a lessee to recognise right-of-use asset and lease liability at a lease's commencement date except for short term and low value asset leases. The requirements for lessor accounting have been carried forward from AASB 117 largely unchanged. As PMNSW is not a lessee in most of its leasing arrangements, the change is not expected to materially impact the financial statements.
- AASB 15 "Revenue from Contracts with Customers", including the amendments AASB 2014-5, AASB 2015-8 and AASB 2016-3 has application from annual reporting periods on or after 1 January 2019. PMNSW believes this standard may impact on the timing recognition of certain Other Revenue given the core principle of the new standard requires revenue to be recognised at the transaction price when control of the goods or services are transferred to the customer. The model features a contract-based five step analysis of transactions to determine the nature, amount and timing of revenue arising from contracts with customers.
- AASB 1058 "Income of Not-for-profit Entities" and AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities has application from annual reporting periods on or after 1 January 2019. The introduction of AASB 1058 results in the amendment of AASB 1004 "Contributions" with many of its requirements being revised and relocated to AASB 1058. PMNSW is yet to undertake a detailed assessment of the impact of AASB 1058 however management believe the initial adoption may defer the recognition of grant income in some circumstances.

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

Standard	Applicable to Annual Reporting Periods Beginning on or after
AASB 9 "Financial Instruments"	1 January 2018
AASB 2016-6 "Amendments to Australian Accounting Standards - Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts"	1 January 2018
AASB 2017-1 "Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments"	1 January 2019
AASB 1059 "Service Concession Arrangements: Grantors"	1 January 2019

PLACE MANAGEMENT NSW

Section B: Financial Performance

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

B1. REVENUE

Recognition and Measurement - Revenue

Revenue is measured at the fair value of the consideration or contribution received or receivable. PMNSW recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity, and specific criteria have been met for each of PMNSW's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. Amounts disclosed as revenue are net of returns, trade allowances, rebates, subvention discounts and amounts collected on behalf of third parties.

Additional comments regarding the accounting policies for the recognition and measurement of revenue are noted within each revenue category below.

(a) Sale of Goods and Services	2018	2017
	\$'000	\$'000
Property Rental Income (i)	62,014	52,539
Major Assets Income (ii):		
Venue Hire Revenue	117,053	55,777
Parking Revenue	9,912	10,589
	188,979	118,905
(i) Property Rental Income - Dissection	2018	2017
	\$'000	\$'000
Operating Lease Revenue	61,946	52,471
Long Term Operating Lease Revenue (Note D4(a))	68	68
	62,014	52,539
Future Minimum Lease Receipts under Non-Cancellable Operating Leases as Lessor		
Receivable within one year	27,895	22,820
Receivable later than 1 year but not later than 5 years	73,205	58,727
Receivable later than 5 years	220,417	222,069
Total Including GST	321,517	303,616

The above represents future minimum lease receipts on PMNSW's owned properties. Future minimum lease receipts as at 30 June 2018 include GST payable of \$29.2 million (\$27.6 million at 30 June 2017).

Operating lease income is recognised in accordance with AASB 117 "Leases". Lease income from operating leases where PMNSW 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.

Leases are entered into at market rates and on commercial terms. Regular market valuations and tendering processes are carried out to ensure commercial arrangements are maintained. Annual rents are varied by either a CPI review, a market review, on a fixed basis, or the greater of a percentage of gross income or land value. Lease terms vary between 1 year and 99 years.

- (ii) Amounts received upfront for events held at major asset venues are recognised as deferred income. The revenue is then recognised as venue hire revenue after the event is held.

Major assets parking revenue is recognised from Casual Car Parking, Permanent Car Parking, Vending Machines and Parking Voucher Sales.

PLACE MANAGEMENT NSW

Section B: Financial Performance

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

(b) Investment Revenue	2018	2017
	\$'000	\$'000
Property Finance Lease Income ((i) and Note C2(c))	13,837	19,006
Interest Earned (ii)	2,212	2,734
	16,049	21,740

- (i) Income from finance leases as lessor includes contingent rent of \$2.9 million in 2017-18 (\$2.3 million in 2016-17). 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 PMNSW 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 PMNSW's net investment in the lease.

The estimated unguaranteed residual value used in computing PMNSW'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. Contingent rental income is generally determined based on a percentage of tenant's revenue or sales.

- (ii) Interest revenue is recognised using the effective interest method as set out in AASB 139 "Financial Instruments: Recognition and Measurement". Interest earned is received on all PMNSW bank accounts.

(c) Grants and Contributions	2018	2017
	\$'000	\$'000
State Government Contribution (i)	96,004	52,427
	96,004	52,427

- (i) Grant revenue comprises funding from the NSW Government for the Sydney International Convention, Exhibition and Entertainment Precinct (SICEEP) costs. The grant provides funding for any shortfall experienced by PMNSW in relation to SICEEP expenditures not covered by SICEEP revenues without further conditions.

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

(d) Other Revenue	2018	2017
	\$'000	\$'000
Refinancing Gain - Finance Lease	804	546
First Time Recognition of Property, Plant and Equipment	-	5,871
Development Contributions	189	70
Marketing Revenue (i)	3,164	2,238
Other	2,102	2,394
	6,259	11,119

- (i) Marketing revenue mostly is recognised from venue hire and advertising revenue at The Rocks and Darling Harbour precincts.

PLACE MANAGEMENT NSW

Section B: Financial Performance

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

B2. EXPENSES EXCLUDING LOSSES

(a) Personnel Services Expenses	2018 \$'000	2017 \$'000
Salaries and Wages (Including Recreation Leave)	-	8,666
Superannuation (Defined Contribution Plans)	-	785
Other Personnel Related Expenses	-	2,846
	<u>-</u>	<u>12,297</u>

PMNSW does not employ staff, however, to enable it to exercise its functions, PMNSW can obtain personnel services from Government agencies that are able to engage staff under Part 4 of the *Government Sector Employment Act 2013*. PMNSW has no employee liabilities or provisions.

Up to 27 January 2017, personnel services were provided by the Department of Finance, Services & Innovation (DFSI). From 28 January 2017, all administrative and operational services (including personnel services) to enable PMNSW to exercise its functions, were transferred to Property NSW (PNSW) under formal agreement. Services provided by Property NSW to PMNSW from this date are recognised as an administration charge under Other Operating Expenses within Service Charges (Note B2(c)).

(b) Property Related Expenses	2018 \$'000	2017 \$'000
Major Assets Expenses (i):		
Contractor Expenses	57,693	30,149
Operating Expenses	43,700	33,880
Management Fees	22,850	10,366
Place Management Expenses (ii)	16,957	14,009
Project Development Expenses (iii)	-	12,113
Other Expenses	4,052	2,559
	<u>145,252</u>	<u>103,076</u>

(i) Major assets contractor and operating expenses in 2018 reflect an increase in events held at venues due to the opening of the new International Convention Centre (ICC) Sydney in December 2016.

(ii) Place management expenses include security, cleaning, waste management, utilities, taxes, and horticultural services.

(iii) Project development expenses include SICEEP costs of \$10.7 million in 2016-17. The SICEEP project involving the redevelopment of the former Sydney Convention and Exhibition Centre (SCEC), the Sydney Entertainment Centre (SEC), the SEC car park and surrounding public realm will create an integrated and world class convention, exhibition and entertainment precinct. The SICEEP project was procured through a Public Private Partnership (PPP) arrangement. The main building ICC Sydney has been recognised in PMNSW's Statement of Financial Position with a corresponding liability reflecting the PPP transaction.

PLACE MANAGEMENT NSW

Section B: Financial Performance

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

(c) Other Operating Expenses	2018	2017
	\$'000	\$'000
Administration	1,519	1,098
Information & Technology Expenses	752	1,737
Contractors	10,477	5,273
Consultants	98	898
Legal Fees	1,003	609
Auditor's Remuneration - Audit of Financial Statements	271	239
Allowance for Impairment of Receivables, Net of Recovery	(56)	62
Marketing and Advertising	5,075	3,589
PAG Integration Project Costs (i)	12,946	5,487
Service Charges (ii):		
DFSI Corporate Costs	3,753	2,385
PAG Service Charge	8,395	5,884
Repairs and Maintenance (iii)	17,017	11,543
Insurance (iv)	893	451
	62,143	39,255

(i) PAG Integration Project Costs relate to PMNSW's contribution to Property and Advisory Group (PAG) Integration Project.

(ii) Services Charges comprise DFSI Corporate Costs relating to DFSI recoupments of corporate charges from PMNSW and PAG Service Charge relating to Property NSW recoupments of employee related costs from PMNSW.

(iii) Reconciliation of Total Maintenance Expense:

Maintenance expense - contracted labour and other (Note B2(c))	17,017	11,543
Personnel Services relating to maintenance	-	1,333
Total Maintenance Expense	17,017	12,876

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.

(iv) PMNSW holds insurance policies covering property, public liability, workers compensation, directors' liability and other contingencies. These insurance covers are conducted through the NSW Treasury Managed Fund Scheme of self insurance for Government agencies. The premium is determined by the Fund Manager based on past claims experience and the insurance coverage is reviewed periodically to ensure that it is adequate.

(d) Depreciation and Amortisation Expense:	2018	2017
	\$'000	\$'000
Depreciation of Property, Plant and Equipment (Note C6(b))	78,509	50,353
Depreciation of Leasehold Assets (Note C6(b))	-	7,019
Amortisation of Intangible Assets (Note C8(b))	847	881
	79,356	58,253

PLACE MANAGEMENT NSW

Section B: Financial Performance

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

Recognition and Measurement - Depreciation and Amortisation

Depreciation is provided for on a straight-line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life by PMNSW. Estimates of remaining useful lives are made on an annual basis. All material separately identifiable components of assets are depreciated over their shorter useful lives.

The following asset useful lives have been applied:

Asset Class	2018 Years	2017 Years
Buildings and Improvements	40	40
Infrastructure	10-200	10-200
Leasehold Improvements	3	3
Plant and Equipment	3-33	3-33
Intangible Assets	3-5	3-5

Land is also not depreciated as land is not a depreciable asset. Art and artefacts may not have a limited useful life because appropriate curatorial and preservation policies are adopted.

In accordance with AASB 5 "Non-current Assets Held for Sale and Discontinued Operations", any assets held for sale are not depreciated.

(e) Grants and Subsidies	2018 \$'000	2017 \$'000
Grants to Other Government Agencies	-	3,200
	-	3,200

(f) Finance Costs	2018 \$'000	2017 \$'000
TCorp Interest on Borrowings	14,280	-
Finance Lease Interest Charges (Note D2(b))	83,990	66,968
Swap Break Costs (i)	33,459	-
	131,729	66,968

- (i) On 2 January 2018, PMNSW exercised the Conditional Debt Pay Down (CDPD) a year earlier than it was planned for its finance lease liability from International Convention Centre Sydney with Darling Harbour Live consortium. As a result of the early CDPD, PMNSW was required to pay an early termination amount to compensate the consortium for breaking its swap agreements with various financial institutions in relation to external debt held for the project.

Borrowing Costs

Borrowing costs comprise mainly interest on borrowings and finance lease interest charges. In accordance with Treasury's Mandate for the not-for-profit general government sector agencies, borrowing costs are expensed and recognised in the Statement of Comprehensive Income in the period in which they are incurred.

B3. GAINS AND LOSSES

(a) Gain/(Loss) on Disposal of Non-Current Assets	2018 \$'000	2017 \$'000
Net Proceeds from Disposal of Non-Current Assets	7,502	65
Written Down Value (Note C5(b) and C6(b))	(5,331)	-
Net Gain/(Loss) on Disposal	2,171	65

PLACE MANAGEMENT NSW

Section B: Financial Performance

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

(b) Other Gains/(Losses)	2018	2017
	\$'000	\$'000
Fair Value Increment on Investment Property Revaluation (Note C5(b))	100,386	51,625
Impairment of Non-Current Assets	(1,410)	-
Gain on Derecognition of Finance Lease Receivable (i)	-	61,137
Make Good Provision Adjustment	-	1,177
Recreation Leave and Long Service Leave Provision Adjustments (ii)	-	2,485
	98,976	116,424

(i) In 2017, PMNSW assigned 30 years lease income from the Darling Quarter 99 year lease to a private sector purchaser and received \$192 million for the assignment. A net gain from this transaction of \$61.1 million was recognised in 2017.

(ii) All outstanding provisions for employee entitlements were settled with the Department of Finance, Services and Innovation in 2017. As PMNSW is not an employer, it does not recognise any employee entitlement liabilities (Note B2(a)).

B4. INCOME TAX EQUIVALENT

(a) Income Tax Equivalent Calculation	2018	2017
	\$'000	\$'000
Surplus Before Income Tax Equivalent:	(10,042)	37,631
Prepaid Rental Revenue - Long Term Leases (Note B1(a)(i))	(93)	(68)
Fair Value Increment on Investment Property Revaluation (Note B3(b))	(100,386)	(51,625)
Grant Revenue (Note B1(c))	(96,004)	(52,427)
Finance Revenue - Long Term Leases (Note B1(b))	(13,837)	(19,006)
Gain on Derecognition of Finance Lease Receivable (B3(b))	-	(61,137)
Rental Received- Finance Leases	13,837	11,217
Notional Taxable Surplus/(Deficit)	(206,525)	(135,415)
Income Tax Equivalent Calculated at 30% of Notional Taxable Surplus	-	-
Total Income Tax Equivalent	-	-

Recognition and Measurement - Income Tax Equivalent

In accordance with TPP 03-04 "Tax Equivalent Regime For Government Business", PMNSW is subject to paying tax equivalents calculated based on the accounting profit model at the prevailing company tax rate 30%. As per Treasury policy, prior year losses cannot be used to reduce accounting profits. PMNSW has obtained approval from the Revenue NSW to exclude the following additional items from its accounting profit for the purpose of calculating its income tax equivalent liability:

- amortised leased income for long-term leases entered into before 1 January 2007;
- unrealised movements in the fair value of PMNSW's investment properties;
- gain or loss on revaluation of property, plant and equipment;
- finance revenue on long term leases; and
- Treasury grants for the Sydney International Convention, Exhibition and Entertainment Precinct development.

In accordance with the NSW Treasury requirements under the Tax Equivalent Regime, PMNSW does not practice tax effect accounting.

PLACE MANAGEMENT NSW

Section C: Assets

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

C1. CASH AND CASH EQUIVALENTS

(a) Cash and Cash Equivalents Dissection	2018 \$'000	2017 \$'000
Cash at Bank and On Hand		
Operating Funds	176,890	210,653
Restricted Cash (b)	1,567	1,419
	178,457	212,072

Cash and Cash Equivalents in the Statement of Financial Position include cash at bank and in hand. Interest is earned on daily bank balances at Reserved Bank of Australia's cash rate.

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 PMNSW operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the statement of financial position date. The analysis is performed on the same basis as for 2017. The analysis assumes that all other variables remain constant.

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

Interest Rate Risk - 2018	Carrying Amount \$'000	-1%		+1%	
Financial Assets	\$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Cash and Cash Equivalents	178,457	(1,785)	(1,785)	1,785	1,785

Interest Rate Risk - 2017	Carrying Amount \$'000	-1%		+1%	
Financial Assets	\$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Cash and Cash Equivalents	212,072	(2,121)	(2,121)	2,121	2,121

(b) Restricted Cash	2018 \$'000	2017 \$'000
Opening Restricted Cash at Start of Year	1,419	403
Funds Received	125	1,039
Interest Received	23	7
Maintenance Expenses Paid	-	(30)
Restricted Cash at the End of the Year	1,567	1,419

The YHA Sinking Fund, Cadi Park Seawall Fund and Precinct Activation Fund, included in cash, are restricted in application under the lease agreements. Funds can only be spent on maintenance of Sydney Harbour YHA, Cadi Park Seawall and Precinct Activation activities as defined in the lease agreements.

PLACE MANAGEMENT NSW

Section C: Assets

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

(c) Reconciliation of Cash Flows from Operating Activities to Net Result After Income Tax Equivalent	2018 \$'000	2017 \$'000
Net Cash Flows from Operating Activities	13,350	48,796
Non Cash Revenues/(Expenses):		
Depreciation and Amortisation	(79,356)	(58,253)
Gain/(Loss) on Disposal of Non-Current Assets	2,171	65
Other Gains/(Losses)	98,976	116,424
Swap Break Costs	(33,459)	-
Other Property Related Non-Cash Net Revenues/(Expenses)	-	2,208
Changes in Operating Assets and Liabilities:		
(Decrease)/Increase in Inventories	171	587
(Decrease)/Increase in Receivables	(10,879)	3,684
Decrease/(Increase) in Creditors	3,394	(91,336)
Decrease/(Increase) in Provisions	(3,212)	1,713
Decrease/(Increase) in Lease Receipts in Advance	68	11,799
Decrease/(Increase) in Revenue in Advance	(1,266)	1,944
Net Result After Income Tax Equivalent	(10,042)	37,631

(d) Non-Cash Investing and Financing 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 and Financing Activities	2018 \$'000	2017 \$'000
Properties transferred to other Government Agencies (Note E1(a))	-	(33,450)
Finance Lease Assets Recognised during the Year	-	(1,338,962)
Finance Lease Liabilities Recognised during the Year	-	1,338,962
TCorp Borrowings for payment of Swap Break Costs (Note B2(f))	33,459	-
TCorp Borrowings for payment of Finance Lease Liability (Note D2(b) and (e))	1,049,883	-
Early payment of Conditional Debt Pay Down (CDPD) (Note D2(b) and (e))	(1,049,883)	-
Non-Cash Investing and Financing Activities	33,459	(33,450)

(e) Reconciliation of Liabilities arising from Financing Activities

Reconciliation - 2018	2017 \$'000	Cash Flows	Non-Cash Changes		2018 \$'000
			Acquisition	Amortisation	
Finance Lease Liabilities	1,334,994	(14,163)	(1,049,883)	-	270,948
TCorp Borrowings	-	-	1,083,342	(1,386)	1,081,956
Deferred Income - Refinancing Gain	31,780	-	-	(935)	30,845
Liabilities from Financing Activities	1,366,774	(14,163)	33,459	(2,321)	1,383,749
Reconciliation - 2017	2016 \$'000	Cash Flows	Non-Cash Changes		2017 \$'000
			Acquisition	Amortisation	
Finance Lease Liabilities	-	(3,968)	1,338,962	-	1,334,994
Deferred Income - Refinancing Gain	-	32,326	-	(546)	31,780
Liabilities from Financing Activities	-	28,358	1,338,962	(546)	1,366,774

PLACE MANAGEMENT NSW

Section C: Assets

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

C2. RECEIVABLES

(a) Receivables - Current and Non-Current Dissection	2018	2017
	\$'000	\$'000
Current		
Trade Receivables:		
Rental Debtors	2,216	2,415
Sundry Debtors	5,685	12,489
Less: Impairment Allowance (b)	(197)	(342)
Subtotal - Trade Receivables	<u>7,704</u>	<u>14,562</u>
Other Receivables:		
Finance Lease Receivables (c)	42,041	41,084
Lessee Lease Incentives (d)	208	1,015
Goods and Services Tax Recoverable	3,940	1,956
Prepayments and Accrued Revenue	<u>9,227</u>	<u>6,706</u>
Total Current Receivables	<u>63,120</u>	<u>65,323</u>
Non-Current		
Other Receivables:		
Finance Lease Receivables (c)	144,624	154,922
Non-Current Lease Incentive (d)	643	-
Total Non-Current Receivables	<u>145,267</u>	<u>154,922</u>
(b) Impairment Allowance	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>
Movement:		
Carrying Amount at 1 July	(342)	(424)
Amounts Written Off	116	153
Amounts Recovered	249	220
(Increase)/Decrease in Allowance	<u>(220)</u>	<u>(291)</u>
Carrying Amount at 30 June	<u>(197)</u>	<u>(342)</u>

PLACE MANAGEMENT NSW

Section C: Assets

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

(c) Finance Lease Receivables	2018	2017
	\$'000	\$'000
Movement:		
Carrying Amount at 1 July	196,006	296,054
Reclassification from Non-Current Assets Held for Sale (Note C4(b))	-	36,600
Lease Payments Received	(23,178)	(155,654)
Property Finance Lease Income (Note B1(b))	13,837	19,006
Carrying Amount at 30 June	186,665	196,006
 (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	7,478,040	7,501,217
Less: Unearned Finance Income	(7,291,375)	(7,305,211)
Present Value of the Minimum Lease Payments Receivable	186,665	196,006
 (ii) Aged Reconciliation of the Gross Investment in Finance Leases as Lessor		
Not later than one year	43,071	43,007
Later than one year and not later than five years	71,327	89,880
Later than five years	7,363,642	7,368,330
Gross Investment in Finance Leases as Lessor	7,478,040	7,501,217
 (iii) Aged Reconciliation of the Present Value of the Minimum Lease Payments Receivable		
Not later than one year	42,041	41,084
Later than one year and not later than five years	60,691	75,038
Later than five years	83,933	79,884
Present Value of the Minimum Lease Payments Receivable	186,665	196,006
 (iv) Finance leases as lessor, in which substantially all the risks and rewards incidental to legal ownership are transferred by PMNSW 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 PMNSW as repayment of principal and finance income over the lease term to reimburse and reward PMNSW'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.		

PMNSW'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 PMNSW 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 PMNSW as at 30 June 2018 is \$19.4 million (\$13.2 million at 30 June 2017).

PLACE MANAGEMENT NSW

Section C: Assets

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

(d) Lessee Lease Incentives

Lease incentives include upfront cash payments to the lessee or the reimbursement or assumption by PMNSW, as the lessor, of costs of the lessee (such as relocation costs, leasehold improvements, fit-out contributions and costs associated with a pre-existing lease commitment). Alternatively, the initial period of the lease term may be agreed to be rent-free or at a reduced rent.

Operating lease incentives represent a reduction of rental income over the lease term and are recognised on a straight-line basis in accordance with Australian Standards and Interpretations.

(e) Recognition and Measurement - Receivables

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

When there is objective evidence that the amounts due will not be collected, PMNSW recognises an allowance for impairment. The amount of the allowance is the difference between the receivable's carrying amount and the amount expected to be received. When an impairment is recognised, the loss is recorded in the Net Result for the year. Where there is objective evidence of recovering a previously impaired receivable, the reversal of impairment losses is also recognised through the net result for the year.

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

(f) Credit Risk - Trade Debtors

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

PMNSW is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Based on past experience, debtors which are not past due totalling \$6.6 million (\$10.2 million as at 30 June 2017) and debtors that are past due but not considered impaired totalling \$1.3 million (\$4.1 million as at 30 June 2017) together represent 97.5% (2017: 97.7%) of the total debtors. There are no debtors which are currently not past due or impaired whose terms have been renegotiated.

The only financial assets that are past due or impaired are rental debtors and sundry debtors. These are included within Receivables in the Statement of Financial Position.

PLACE MANAGEMENT NSW

Section C: Assets

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

Credit Risk - 2018	Overdue				Total 2018 \$'000
	<1 Mth \$'000	>1 <2 Mths \$'000	>2 <3 Mths \$'000	>3 Mths \$'000	
Financial Assets					
Receivables:					
Past Due But Not Impaired	128	954	-	-	1,082
Considered Impaired	-	1	75	121	197
Total Credit Risk	128	955	75	121	1,279

Credit Risk - 2017	Overdue				Total 2017 \$'000
	<1 Mth \$'000	>1 <2 Mths \$'000	>2 <3 Mths \$'000	>3 Mths \$'000	
Financial Assets					
Receivables:					
Past Due But Not Impaired	-	3,804	-	257	4,061
Considered Impaired	-	135	-	207	342
Total Credit Risk	-	3,939	-	464	4,403

Notes

1. Each column in the table reports "gross receivables".

2. The aging analysis excludes statutory receivables, as these are not within the scope of AASB 7 and excludes receivables that are not past due and not impaired. Therefore, the "total" will not reconcile to receivables total recognised in the statement of financial position.

C3. INVENTORIES

(a) Inventories - Dissection	2018 \$'000	2017 \$'000
Current		
Trading Stock (b)	758	587
Total Current Inventories	758	587

(b) Recognition and Measurement - Inventories

Trading stock are stated at the lower of cost and net realisable value. Cost of stock are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make sales. PMNSW's trading stock is the inventories (food, beverage and consumables) held by the International Convention Centre Sydney.

C4. NON-CURRENT ASSETS HELD FOR SALE

(a) Non-Current Assets Held for Sale - Dissection	2018 \$'000	2017 \$'000
Current		
Investment Properties	25,000	25,000
Total Current Non-Current Assets Held for Sale	25,000	25,000

(b) Reconciliation of Opening and Closing Carrying Amounts	2018 \$'000	2017 \$'000
Non-Current Assets Held for Sale		
Carrying Amount at 1 July	25,000	36,600
Reclassification from Investment Properties (Note C5(b))	-	25,000
Reclassification to Finance Lease Receivable (Note C2(c))	-	(36,600)
Carrying Amount at 30 June	25,000	25,000

PLACE MANAGEMENT NSW

Section C: Assets

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

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

PMNSW 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.

There was no movement in the value of Non-Current Assets Held for Sale in 2017-18 due to the settlement date is expected in January 2019.

C5. INVESTMENT PROPERTIES

(a) Investment Property - Dissection

Non-Current Investment Properties

At Fair Value

Carrying Amount at 30 June

2018	2017
\$'000	\$'000
614,532	519,439
614,532	519,439

(b) Reconciliation of Opening and Closing Carrying Amounts

Investment Properties

Carrying Amount at 1 July

Disposals (Note B3(a))

Reclassification to Non-Current Assets Held for Sale (Note C4(b))

Net Gain/(Loss) from Fair Value Adjustments (Note B3(b))

Carrying Amount at 30 June

2018	2017
\$'000	\$'000
519,439	492,814
(5,293)	-
-	(25,000)
100,386	51,625
614,532	519,439

(c) Amounts Recognised in Profit and Loss for Investment Properties

Rental Income

Direct Operating Expenses arising from:

Investment Properties that Generated Rental Income

Investment Properties that did not Generate Rental Income

Total Recognised in Profit and Loss for Investment Properties

2018	2017
\$'000	\$'000
64,126	62,022
(13,093)	(10,542)
(266)	(257)
50,767	51,223

(d) Recognition and Measurement - Investment Properties

PMNSW owns properties held to earn rentals and/or for capital appreciation. These properties are classified by PMNSW as Investment Properties in accordance with AASB 140 "Investment Property". Investment properties are stated at fair value in the Statement of Financial Position, using the valuation technique that maximises the use of relevant observable inputs. Gains or losses arising from changes in fair value are included in the surplus for the year in the period in which they arise. No depreciation is charged on investment properties.

Investment properties are comprehensively revalued every three years with interim revaluations performed in the years between comprehensive revaluations. The last comprehensive revaluation was undertaken by independent valuers, AON Risk Services Australia on 31 March 2018. The valuation, which conforms to Australian Valuation Standards and Australian Accounting Standards, was arrived at by reference to market evidence of transaction prices for similar properties and by the capitalisation of income approach.

PLACE MANAGEMENT NSW

Section C: Assets

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

C6. PROPERTY, PLANT AND EQUIPMENT

(a) Property, Plant and Equipment - Dissection

	2018	2017
	\$'000	\$'000
Non-Current		
Land and Buildings		
At Fair Value	517,864	493,828
Less Accumulated Depreciation	(52,730)	(51,662)
Carrying Amount at 30 June	465,134	442,166
Finance Lease Assets		
At Fair Value	1,316,017	1,354,727
Less Accumulated Depreciation	(92,296)	(40,463)
Carrying Amount at 30 June	1,223,721	1,314,264
Infrastructure		
At Fair Value	201,651	195,235
Less Accumulated Depreciation	(99,926)	(95,303)
Carrying Amount at 30 June	101,725	99,932
Plant and Equipment		
At Fair Value	51,303	26,242
Less Accumulated Depreciation	(25,012)	(21,867)
Carrying Amount at 30 June	26,291	4,375
Art and Artefacts		
At Fair Value	11,788	11,518
Less Accumulated Depreciation	-	-
Carrying Amount at 30 June	11,788	11,518
Work in Progress	42,646	4,888
Total Property, Plant and Equipment at 30 June	1,871,305	1,877,143
At Fair Value	2,141,269	2,086,438
Less Accumulated Depreciation	(269,964)	(209,295)
Total Property, Plant and Equipment at 30 June	1,871,305	1,877,143

PLACE MANAGEMENT NSW

Section C: Assets

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

(b) Reconciliation of Opening and Closing Carrying Amounts	2018 \$'000	2017 \$'000
Land and Buildings (Includes Open Spaces and Roads)		
Carrying Amount at 1 July	442,166	437,901
Additions	-	3,847
Transfer to other NSW Government Agency	-	(33,450)
Net Revaluation Increment/(Decrement)	28,997	39,681
Depreciation Expense	(6,029)	(5,813)
Carrying Amount at 30 June	465,134	442,166
Finance Lease Assets		
Carrying Amount at 1 July	1,314,264	-
Additions	-	1,354,727
Depreciation expense	(68,270)	(40,463)
Transfer to Plant and Equipment	(22,273)	-
Carrying Amount at 30 June	1,223,721	1,314,264
Infrastructure		
Carrying Amount at 1 July	99,932	96,364
Additions	2,610	4,583
Net Revaluation Increment/(Decrement)	2,281	1,838
Depreciation Expense	(3,098)	(2,853)
Carrying Amount at 30 June	101,725	99,932
Plant and Equipment		
Carrying Amount at 1 July	4,375	5,599
Additions	793	-
Depreciation Expense	(1,112)	(1,224)
Disposals (Note B3(a))	(38)	-
Transfer from Finance Lease Assets	22,273	-
Carrying Amount at 30 June	26,291	4,375
Leasehold Improvements		
Carrying Amount at 1 July	-	7,019
Depreciation Expense	-	(7,019)
Carrying Amount at 30 June	-	-
Art and Artefacts		
Carrying Amount at 1 July	11,518	11,518
Net Revaluation Increment/(Decrement)	270	-
Carrying Amount at 30 June	11,788	11,518
Work in Progress		
Carrying Amount at 1 July	4,888	18,846
Additions	41,714	4,365
Impairment	(553)	-
Transfer to Fixed Assets	(3,403)	(18,323)
Carrying Amount at 30 June	42,646	4,888
Total Property, Plant and Equipment at 30 June	1,871,305	1,877,144

PLACE MANAGEMENT NSW

Section C: Assets

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

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

(i) Acquisitions of Assets

Assets acquired are initially recognised at cost. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Australian Accounting Standards.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at measurement date.

Where settlement of any part of cash consideration is deferred, its cost is the cash price equivalent, that is, the deferred payment amount is effectively discounted at an asset-specific rate.

(ii) Capitalisation Thresholds

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

Property development that gives rise to an effective and material increase in the future economic benefit of the property to PMNSW is capitalised.

(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 social-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. PMNSW revalues 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.

Land and Buildings, including open spaces and roads, are comprehensively revalued every three years with interim revaluations performed in the years between comprehensive revaluations. The last comprehensive revaluation was undertaken by independent valuers, AON Risk Services Australia (AON) on 31 March 2018.

Finance Lease assets as at 30 June 2018 comprise the International Convention Centre (ICC), Sydney. Finance Lease assets are comprehensively revalued every 3 years with interim revaluations performed in the years between comprehensive revaluations when it is necessary.

PLACE MANAGEMENT NSW

Section C: Assets

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

Infrastructure assets are revalued every five years. The last comprehensive revaluation was performed at 30 June 2014 by AON. Interim revaluations are conducted between comprehensive revaluations. An interim formal revaluation was completed on 31 March 2018 by AON.

AON also performed a comprehensive revaluation of Art and Artefacts at 30 June 2016. Art and Artefacts are revalued every 5 years with interim revaluations performed in the years between comprehensive revaluations.

The assets that were not revalued are also shown at fair value as the written down value approximates fair value. At reporting date there was no indication of impairment.

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

When revaluing non-current assets using the cost approach, the gross amount and the related accumulated depreciation are separately restated. For other assets valued using other valuation techniques, any balances of accumulated depreciation at the revaluation date in respect of those assets are credited to the asset accounts to which they relate. The net asset accounts are then increased or decreased by the revaluation increments or decrements.

Revaluation increments are credited directly to the asset 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 surplus/deficit, the increment is recognised immediately as revenue in the surplus/deficit.

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

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

Where an asset that has previously been revalued is disposed of, any balance remaining in the asset 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 PMNSW 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 D2). 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.

PLACE MANAGEMENT NSW

Section C: Assets

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

The Finance Lease assets recognised by PMNSW as at 30 June 2018 comprise the International Convention Centre (ICC), Sydney. The ICC finance lease asset is being amortised over the life of the lease. The ICC commenced operation in December 2016 and as per Treasury Policy TPP 06-8 "Accounting for Privately Financed Projects", AASB 116 "Property, Plant and Equipment" and AASB 117 "Leases", was initially recognised at the lower of fair value and present value of the minimum lease payment. An equivalent Finance Lease liability was also recognised under Borrowings within the Statement of Financial Position (Note D2(b)). The project costs incurred by PMNSW during the construction phase of SICEEP project were identified as directly attributable to activities for the finance lease and were included in the calculation of the initial finance lease asset recognition.

(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.

PMNSW 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, PMNSW 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.

C7. FAIR VALUE MEASUREMENT OF NON-FINANCIAL ASSETS

(a) Fair Value Hierarchy

2018	Level 1	Level 2	Level 3	Total Fair Value
	\$'000	\$'000	\$'000	\$'000
Investment Properties (Note C5)	-	614,532	-	614,532
Property, Plant and Equipment (Note C6):				
Land and Buildings	-	436,734	28,400	465,134
Finance Lease Assets	-	-	1,223,721	1,223,721
Infrastructure	-	-	101,725	101,725
Art and Artefacts	-	11,788	-	11,788
	-	1,063,054	1,353,846	2,416,900

PLACE MANAGEMENT NSW

Section C: Assets

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

2017	Level 1	Level 2	Level 3	Total Fair Value
	\$'000	\$'000	\$'000	\$'000
Investment Properties (Note C5)	-	519,439	-	519,439
Property, Plant and Equipment (Note C6):	-	-	-	-
Land and Buildings	-	392,673	49,493	442,166
Finance Lease Assets	-	-	1,314,264	1,314,264
Infrastructure	-	-	99,932	99,932
Art and Artefacts	-	11,500	18	11,518
	-	923,612	1,463,707	2,387,319

There were no transfers between Level 1 or 2 during 2017-18 (Nil in 2016-17).

(b) Valuation Techniques, Inputs and Processes

For each class of property, plant and equipment, a description of the valuation technique applied and the inputs used in the fair value measurement is disclosed in the table below. For the valuation process refer to Note C6(c)(iii).

Class	Valuation Technique	Key Inputs
Investment Properties	Income approach (recurring) - assets are valued by converting income to a single current amount and includes present value techniques.	- Market rental income - Outgoings - Vacancy rate - Capitalisation rate
Land and Buildings	Market approach (recurring) - assets are valued based on comparable property sales transactions and where identical properties are not available, adjustments have been made to reflect the following characteristics of the asset, including condition, location or comparability of the asset.	- Comparable property sales values - Adjustments including condition, location, capital improvements or comparability of the asset
Specialised Buildings	Current replacement cost approach (recurring) - the assets' current replacement costs were calculated having regard to Rawlinson's Australian Construction Handbook 2015, with the costs then depreciated to reflect the assets lives already consumed.	- Capital improvements, remaining useful lives - Current replacement cost estimates
Finance Lease Assets	The assets were recognised in 2016-17 financial year, they were valued by current replacement cost approach (recurring), same as the specialised buildings disclosed above.	- Capital improvements, remaining useful lives - Current replacement cost estimates
Infrastructure	Current replacement cost approach (recurring) - assets are valued based on the gross replacement cost of a modern equivalent asset which has been optimised for the particular purpose, which is then adjusted for depreciation to reflect the reduced lifespan of the original asset.	- Current unit replacement costs - Professional fees - Remaining useful lives
Art and Artefacts	Market approach (recurring) - assets are valued based on observable market selling prices involving identical or similar assets Cost approach (recurring) - assets are valued by referring to cost of constructing another asset that is either a replica of the original or one that could furnish equal utility.	- Market selling prices - Replication costs

PLACE MANAGEMENT NSW

Section C: Assets

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

(c) Reconciliation of Recurring Level 3 Fair Value Measurements

2018	Land and Buildings	Leased Assets	Infrastructure	Art and Artefacts	Total Recurring Level 3 Fair Value
	\$'000	\$'000	\$'000	\$'000	\$'000
Fair Value as at 1 July	49,493	1,314,264	99,932	18	1,463,707
Additions	-	-	2,610	-	2,610
Gain/(Loss) on Revaluation	815	60,087	2,281	-	63,183
Depreciation	(2,006)	(68,270)	(3,098)	-	(73,374)
Transfer Level 3 to 2	(19,902)	(22,273)	-	(18)	(42,193)
Fair Value as at 30 June	28,400	1,283,808	101,725	-	1,413,933

2017	Land and Buildings	Leased Assets	Infrastructure	Art and Artefacts	Total Recurring Level 3 Fair Value
	\$'000	\$'000	\$'000	\$'000	\$'000
Fair Value as at 1 July	52,204	-	96,364	18	148,586
Additions	-	1,354,727	4,583	-	1,359,310
Gain/(Loss) on Revaluation	148	-	1,838	-	1,986
Depreciation	(2,859)	(40,463)	(2,853)	-	(46,175)
Fair Value as at 30 June	49,493	1,314,264	99,932	18	1,463,707

C8. INTANGIBLE ASSETS

(a) Intangible Assets - Dissection

Non-Current

Intangible Assets - Computer Software

Gross Carrying Amount

Less Accumulated Amortisation

Total Intangible Assets - Computer Software at 30 June

2018	2017
\$'000	\$'000
3,020	5,076
(2,445)	(2,797)
575	2,279

(b) Reconciliation of Opening and Closing Carrying Amounts

Intangible Assets - Computer Software

Carrying Amount at 1 July

Amortisation expense

Impairment

Carrying amount at 30 June

2018	2017
\$'000	\$'000
2,279	3,160
(847)	(881)
(857)	-
575	2,279

(c) Recognition and Measurement - Intangible Assets

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

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

The useful lives of intangible assets are assessed to be finite. Intangible assets are subsequently measured at fair value only if there is an active market. As there is no active market for PMNSW's intangible assets, the assets are carried at cost less any accumulated amortisation.

PMNSW's intangible assets are amortised using the straight line method over a period of either three or five years.

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

PLACE MANAGEMENT NSW

Section D: Liabilities

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

D1. PAYABLES

(a) Payables - Dissection	2018	2017
	\$'000	\$'000
Current		
Trade Creditors	13,729	3,382
Sundry Creditors and Accruals	60,049	43,068
Finance Lease Interest Accruals	12,098	31,387
Refundable Security Deposits and Bonds	390	540
Forward Deposits	27,821	30,990
Total Current Payables	114,087	109,367

(b) Recognition and Measurement - Payables

Payables represent liabilities for goods and services provided to PMNSW 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.

PMNSW's payables are all non-interest bearing. Payable items which are out of the scope of AASB 7 "Financial Instruments: Disclosures" have been excluded from the carrying amount shown in the Statement of Financial Position.

(c) Liquidity Risk

Liquidity risk is the risk that PMNSW will be unable to meet its payment obligations when they fall due. PMNSW 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 years, there were no defaults on any loans payable. No assets have been pledged as collateral. PMNSW's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

(d) Maturity Profile

All of PMNSW's trade payables, sundry payables and accruals have a maturity of less than 12 months (2017: 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, PMNSW may automatically pay the supplier simple interest. The rate of interest applied by PMNSW accords with the current rate applicable under section 22 of the *Taxation Administration Act 1996*.

PLACE MANAGEMENT NSW

Section D: Liabilities

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

The tables below summarises the maturity profile and interest rate exposure of PMNSW's other major payables.

Maturity Profile	Nominal	Ageing		
	Amount	< 1 yr	>1yr < 5 yrs	> 5 yrs
	\$'000	\$'000	\$'000	\$'000
2018				
Payables:				
Security Deposits	308	115	140	53
Casual Bonds	82	82	-	-
Forward Deposits	27,821	27,821	-	-
	28,211	28,018	140	53
2017				
Payables:				
Security Deposits	387	258	2	127
Casual Bonds	153	153	-	-
Forward Deposits	30,990	29,476	1,514	-
	31,530	29,887	1,516	127

Interest Rate Exposure	Weighted Average Effective Interest Rate	Nominal	Fixed	Variable	Non-interest
		Amount	Interest Rate	Interest Rate	Bearing
	%	\$'000	\$'000	\$'000	\$'000
2018					
Payables:					
Security Deposits	1.51%	308	-	308	-
Casual Bonds	-	82	-	-	82
Forward Deposits	-	27,821	-	-	27,821
		28,211	-	308	27,903
2017					
Payables:					
Security Deposits	1.52%	387	-	387	-
Casual Bonds	-	153	-	-	153
Forward Deposits	-	30,990	-	-	30,990
		31,530	-	387	31,143

Note: The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities and therefore will not reconcile to the statement of financial position.

A maturity profile analysis of PMNSW's Finance Lease liabilities and other Borrowings is presented at Note D2(c).

PLACE MANAGEMENT NSW

Section D: Liabilities

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

D2. BORROWINGS

(a) Borrowings - Current and Non-Current Dissection	2018	2017
	\$'000	\$'000
Current		
Finance Lease Liabilities (b)	12,207	18,477
Total Current Borrowings	12,207	18,477
Non-Current		
Finance Lease Liabilities (b)	258,741	1,316,517
TCorp Borrowings (e)	1,081,956	-
Total Non-Current Borrowings	1,340,697	1,316,517
(b) Finance Lease Liabilities	2018	2017
	\$'000	\$'000
Movement:		
Carrying Amount at 1 July	1,334,994	-
Finance Lease Recognised during the Year	-	1,338,962
Early payment of Conditional Debt Pay Down (CDPD) (Note D2(e))	(1,049,883)	-
Minimum Lease Payments	(98,153)	(70,936)
Finance Lease Interest Charges (Note B2(f))	83,990	66,968
Carrying Amount at 30 June	270,948	1,334,994
(c) Finance Lease Commitments	2018	2017
	\$'000	\$'000
Minimum Lease Payments:		
Payable within one year	52,444	174,930
Payable later than one year but not later than five years	164,120	559,775
Payable later than five years	759,639	2,724,341
Total Minimum Lease Payment Commitment	976,203	3,459,046
Finance Costs:		
Payable within one year	(40,237)	(156,453)
Payable later than one year but not later than five years	(156,912)	(484,653)
Payable later than five years	(508,106)	(1,482,946)
Total Finance Costs Commitment	(705,255)	(2,124,052)
Present Value of Finance Lease Commitments:		
Payable within one year	12,207	18,477
Payable later than one year but not later than five years	7,208	75,122
Payable later than five years	251,533	1,241,395
Total Present Value of Finance Lease Commitments	270,948	1,334,994
(d) Recognition and Measurement - Finance Lease Liabilities		

The finance lease liabilities are determined in accordance with AASB 117 "Leases". PMNSW's finance lease liability comprises the lease on the International Convention Centre Sydney. The lease has a lease term of 25 years with the asset returned to PMNSW at the end of lease term. The discount rate implicit in the lease is 9.45% p.a. The lease liability is being amortised over the lease term.

PLACE MANAGEMENT NSW

Section D: Liabilities

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

(e) New South Wales Treasury Corporation (TCorp) Borrowings

On 2 January 2018, TCorp issued two interim loans with total value of \$1,083.3 million to PMNSW for early payment of CDPD for its finance lease liability from SICEEP with Darling Harbour Live consortium. The 1,083.3 million Torp Borrowings were recognised as a reduction of finance lease liability of \$1,049.9 million and Finance Costs - Swap Break Costs of \$33.4 million in 2017-18.

On 8 February 2018, the principal balance of both interim loans were refinanced and replaced with the Final TCorp loan portfolio. The Final TCorp loan portfolio took effect consisting of 10 separate loans with different principal balances, different maturing dates and varying rates of interest for each of the loans. These loans are interest-only with the principal amounts only payable on maturity dates of the loans. The coupon interest rates vary between 2.0% - 4.5%. These loans constitute the CDPD of the Finance Lease Liability of the SICEEP.

Borrowings are not held for trading or designated at fair value through profit or loss. Borrowings are initially measured at the fair value of the consideration received. Subsequently they are measured at amortised cost. Any difference between the proceeds and the redemption amount (premium or discount) is recognised in the net result over the period of the borrowings using the effective interest method.

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless PMNSW has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Repayment of TCorp Borrowings	2018	2017
	\$'000	\$'000
Payable within one year	-	-
Payable later than one year but not later than five years	345,000	-
Payable later than five years	736,956	-
Total Repayment of TCorp Borrowings	1,081,956	-

D3. PROVISIONS

(a) Provisions - Dissection	2018	2017
	\$'000	\$'000
Current		
Land Remediation (b)	2,372	5,181
Other	3,316	2,659
Total Current Provisions at 30 June	5,688	7,840
(b) Land Remediation	2018	2017
	\$'000	\$'000
Movement:		
Carrying Amount at 1 July	5,181	-
Provision Recognised during the Year	644	5,181
Decrease in Provision from Payments	(3,453)	-
Carrying Amount at 30 June	2,372	5,181

PLACE MANAGEMENT NSW

Section D: Liabilities

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

- (i) PMNSW's Land Remediation provision relates to the SICEEP Major Commercial Development sites. As part of the commercial development sites of the SICEEP project, the State entered into Project Delivery Agreements that granted construction licences to Lend Lease to develop these sites with 99 year ground leases to apply at the conclusion of the construction period.

The provision related to remediation and artefact risk which was shared with the State. The arrangement was tiered with Lend Lease liable for the risk up to a predetermined level, the State and Lend Lease would then share the risk above this level up to another predetermined level. Any costs above this final level would be born entirely by the State.

(c) Other Provisions	2018	2017
	\$'000	\$'000
Movement:		
Carrying Amount at 1 July	2,659	2,314
Provision Recognised during the Year	2,354	1,348
Decrease in Provision from Payments	(1,697)	(1,003)
Carrying Amount at 30 June	3,316	2,659

- (i) Other provisions include obligations in relation to land tax. PMNSW is not exempted from land tax.

(d) Recognition and Measurement - Provisions

Provisions are recognised when PMNSW has a present obligation as a result of a past event, it is probable that PMNSW will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as a finance cost.

D4. OTHER LIABILITIES

(a) Other Liabilities - Current and Non-Current Dissection	2018	2017
	\$'000	\$'000
Current		
Lease Receipts in Advance (i)	68	68
Deferred Income - Refinancing Gain (ii)	935	1,071
Revenue in Advance	4,457	3,191
Total Current Liability at 30 June	5,460	4,330
Non-Current		
Lease Receipts in Advance (i)	3,117	3,183
Deferred Income - Refinancing Gain (ii)	29,910	30,709
Total Non-Current Liability at 30 June	33,027	33,892

- (i) Lease Receipts in Advance relates to upfront rent payments received from tenants for long-term leases classified as operating lease.
- (ii) Deferred income relates to the SICEEP Project finance lease refinancing gain. This is being amortised over the finance lease term.

PLACE MANAGEMENT NSW

Section E: Equity

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

E1. EQUITY

(a) 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

	2018 \$'000	2017 \$'000
Carrying Amount at 1 July	1,240,413	1,277,000
Net Result for the Year	(10,042)	37,631
Transfer from Asset Revaluation Reserve on Disposal of PP&E (E1(b))	-	74,345
Financial Distributions (i)	-	(115,113)
Net Increase/(Decrease) in Net Assets from Equity Transfers (ii)	-	(33,450)
Carrying Amount at 30 June	1,230,371	1,240,413

(i) Financial Distributions

	2018 \$'000	2017 \$'000
Capital Repatriations from the Net Proceeds of Asset Sales (Paid to the NSW Government)	-	(115,113)
	-	(115,113)

As a NSW Public Trading Enterprise, PMNSW 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 PMNSW'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 PMNSW may include normal distribution payments from cash operating surpluses or capital repatriations, from the sale of its own properties.

Contributions to New South Wales Government are set by negotiation between stakeholders, the board and management of PMNSW with the ultimate determination reserved for stakeholders. Consideration is given to PMNSW's working capital, investment capital requirements, provision of social and non-commercial activities and an appropriate contingency for financial flexibility.

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

	2018 \$'000	2017 \$'000
Transfer of Properties to other Government Agencies: Land and Buildings (Note C6(b))	-	(33,450)
	-	(33,450)

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.

Equity transfers in 2016-17 comprised of the transfer of lands to Roads and Maritime Services NSW. There were no equity transfers made in 2017-18.

PLACE MANAGEMENT NSW

Section E: Equity

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

(b) 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 PMNSW's policy on the Revaluation of Property, Plant and Equipment (Note C6). No financial distributions are made from the Asset Revaluation Reserve.

Asset Revaluation Reserve - Movement	2018	2017
	\$'000	\$'000
Carrying Amount at 1 July	125,929	158,755
Net Increase in Property, Plant and Equipment Revaluation Surplus (i)	31,548	41,519
Transfer to Accumulated Funds on Disposal of PP&E (E1(a))	-	(74,345)
Carrying Amount at 30 June	157,477	125,929

Asset Revaluation Reserve - Asset Class Dissection	2018	2017
	\$'000	\$'000
Land and Buildings	137,257	108,260
Infrastructure	13,014	10,733
Art & Artefacts	7,206	6,936
Total Asset Revaluation Reserve at 30 June	157,477	125,929

(i) Net Increase in Property, Plant and Equipment Revaluation Surplus - Dissection	2018	2017
	\$'000	\$'000
Land and Buildings (Note C6(b))	28,997	39,681
Infrastructure (Note C6(b))	2,281	1,838
Art & Artefacts (Note C6(b))	270	-
Net Increase in Property, Plant and Equipment Revaluation Surplus	31,548	41,519

PLACE MANAGEMENT NSW

Section F: Financial Instruments and Other Notes

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

F1. FINANCIAL INSTRUMENTS

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

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

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

(a) Financial Instrument Categories

			2018	2017
			\$'000	\$'000
Financial Assets - Carrying Amounts				
<u>Class</u>	<u>Category</u>	<u>Notes</u>		
Cash and Cash Equivalents	n/a	C1	178,457	212,072
Receivables (i)	Loans and Receivables (at Amortised Cost)	C2	195,220	210,608
Financial Liabilities - Carrying Amounts				
<u>Class</u>	<u>Category</u>	<u>Notes</u>		
Payables (ii)	Financial Liabilities (at Amortised Cost)	D1	73,778	35,137
Borrowings	Financial Liabilities (at Amortised Cost)	D2	1,352,904	1,334,994

(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.

(b) Credit Risk

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

Credit risk arises from the financial assets of PMNSW, including cash and receivables (Notes C1 and C2). No collateral is held by PMNSW and PMNSW has not granted any financial guarantees. Credit risk associated with PMNSW's financial assets, other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards.

(c) 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. PMNSW's exposures to market risk are primarily through interest rate on PMNSW's cash and cash equivalents. PMNSW has no exposure to foreign currency risk and does not enter into commodity contracts.

PLACE MANAGEMENT NSW

Section F: Financial Instruments and Other Notes

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

(d) Fair Value of Financial Instruments

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

(e) Impairment of Financial Assets

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

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

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

(f) Derecognition of Financial Assets and Financial Liabilities

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

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

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

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

F2. COMMITMENTS FOR EXPENDITURE

(a) Capital Expenditure Commitments

	2018	2017
	\$'000	\$'000
Capital expenditure contracted at balance date but not provided for:		
Payable within one year	15,347	7,852
Payable later than one year but not later than five years	-	-
Payable later than five years	-	-
Total Capital Expenditure Commitments (Incl GST)	15,347	7,852

Total capital expenditure commitments relate to contracted upgrading and refurbishment works on various owned buildings and infrastructure assets. Capital expenditure commitments at 30 June 2018 include GST recoverable input tax credits of \$1.4 million (\$0.7m at 30 June 2017) that are expected to be recoverable from the Australian Taxation Office.

PLACE MANAGEMENT NSW

Section F: Financial Instruments and Other Notes

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

(b) Subvention Costs Commitments	2018	2017
	\$'000	\$'000
Subvention costs contracted at balance date but not provided for:		
Payable within one year	7,207	2,205
Payable later than one year but not later than five years	10,566	11,378
Payable later than five years	1,811	883
Total Subvention Costs Commitments (Incl GST)	19,584	14,466

Subvention costs commitments at 30 June 2018 include GST recoverable input tax credits of \$1.8 million (\$1.3 million at 30 June 2017) that are expected to be recoverable from the Australian Taxation Office.

(c) Finance Lease Commitments

Expenditure commitments on PMNSW's finance lease liabilities are disclosed at Note D2(c).

F3. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

PMNSW is not aware of any contingent assets or liabilities at 30 June 2018 (Nil at 30 June 2017).

F4. RELATED PARTY DISCLOSURES

(a) Key Management Personnel Compensation

During the year, PMNSW did not pay any compensation directly to its key management personnel (Nil in 2016-17).

In 2017-18, PMNSW incurred \$0.5 million in respect of the Key Management Personnel services that were provided by Property NSW (In 2016-17, \$0.1 million by the Department of Finance, Services and Innovation and \$0.2 million by Property NSW).

(b) Transactions and Outstanding Balances with Other Related Parties

During 2017-18, PMNSW has not entered into other transactions with Key Management Personnel, their close family members and controlled or jointly controlled entities thereof (Nil in 2016-17).

(c) Transactions and Outstanding Balances with Other Government Entities

During 2017-18, PMNSW 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 PMNSW's property rental income, fees for services rendered and grant and contribution revenue.

F5. 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 PMNSW as at 30 June 2018.

(b) Non-Adjusting Events

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

End of Audited Financial Statements



INDEPENDENT AUDITOR'S REPORT

Luna Park Reserve Trust

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Luna Park Reserve Trust (the Trust), which comprise the Statement of Comprehensive Income for the year ended 30 June 2018, the Statement of Financial Position as at 30 June 2018, 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 the Trust as at 30 June 2018 and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

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

Basis for Opinion

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

I am independent of the Trust 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

Other information comprises the information included in the Trust's annual report for the year ended 30 June 2018, other than the financial statements and my Independent Auditor's Report thereon. The Trust Manager are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprises the Statement by Trust Manager.

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 Trust Manager's Responsibilities for the Financial Statements

The Trust Manager 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 Trust Manager 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 Trust Manager is responsible for assessing the Trust's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting except where the Trust will be dissolved by an Act of Parliament or otherwise cease operations.

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

A handwritten signature in blue ink, appearing to be 'W. Liao', with a vertical line extending downwards from the end of the signature.

Weini Liao
Director, Financial Audit Services

20 September 2018
SYDNEY

Luna Park Reserve Trust

Financial Statements

For the Year Ended 30 June 2018

Statement by Trust Manager

Pursuant to Section 41C of the *Public Finance and Audit Act 1983*, we declare on behalf of the Luna Park Reserve Trust, that in our opinion:

- (a) The accompanying financial statements exhibit a true and fair view of the Trust's financial performance for the financial year ended 30 June 2018 and financial position as at 30 June 2018; 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.

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



The Hon. Helen Coonan
Chair
Place Management NSW
(Trust Manager)

Date: 20 September 2018



Sam Romaniuk
Chief Executive Officer
Place Management NSW
(Trust Manager)

Date: 20 September 2018

LUNA PARK RESERVE TRUST
Start of Audited Financial Statements
Statement of Comprehensive Income
For the Year Ended 30 June 2018

	Note	Actual 2018 \$'000	Budget 2018 \$'000	Actual 2017 \$'000
Revenue				
Sale of Goods and Services	B1(a)	2,152	1,866	1,864
Investment Revenue	B1(b)	33	103	64
Grants and Contributions	B1(c)	-	-	3,200
Total Revenue		2,185	1,969	5,128
Expenses Excluding Losses				
Other Operating Expenses	B2(a)	2,454	1,127	3,576
Depreciation Expense	B2(b)	838	837	822
Total Expenses Excluding Losses		3,292	1,964	4,398
Net Result		(1,107)	5	730
Other Comprehensive Income				
Items that will not be Reclassified to Net Result:				
Net Increase/(Decrease) in Property, Plant and Equipment Revaluation Surplus	E1(b)	1,693	-	(713)
Total Other Comprehensive Income		1,693	-	(713)
TOTAL COMPREHENSIVE INCOME		586	5	17

[The accompanying notes form part of these financial statements]

LUNA PARK RESERVE TRUST

Statement of Financial Position

As At 30 June 2018

	Notes	Actual 2018 \$'000	Budget 2018 \$'000	Actual 2017 \$'000
ASSETS				
Current Assets				
Cash and Cash Equivalents	C1(a)	2,158	3,575	3,228
Receivables	C2(a)	547	221	333
Total Current Assets		2,705	3,796	3,561
Non-Current Assets				
Property, Plant and Equipment	C3(a)	41,581	40,315	40,726
Total Non-Current Assets		41,581	40,315	40,726
TOTAL ASSETS		44,286	44,111	44,287
LIABILITIES				
Current Liabilities				
Payables	D1(a)	430	164	1,017
Total Current Liabilities		430	164	1,017
TOTAL LIABILITIES		430	164	1,017
NET ASSETS		43,856	43,947	43,270
EQUITY				
Accumulated Funds	E1(a)	8,603	9,967	9,710
Asset Revaluation Reserve	E1(b)	35,253	33,980	33,560
TOTAL EQUITY		43,856	43,947	43,270

[The accompanying notes form part of these financial statements]

LUNA PARK RESERVE TRUST

Statement of Changes in Equity

For the Year Ended 30 June 2018

	Notes	Asset			Asset		
		Accumulated Funds 2018 \$'000	Revaluation Reserve 2018 \$'000	Total Equity 2018 \$'000	Accumulated Funds 2017 \$'000	Revaluation Reserve 2017 \$'000	Total Equity 2017 \$'000
Opening Balance		9,710	33,560	43,270	8,980	34,273	43,253
Net Result for the Year		(1,107)	-	(1,107)	730	-	730
Other Comprehensive Income:							
Net Increase/(Decrease) in Property, Plant and Equipment Revaluation Surplus	C3(b)	-	1,693	1,693	-	(713)	(713)
Total Other Comprehensive Income		-	1,693	1,693	-	(713)	(713)
Total Comprehensive Income for the Year		(1,107)	1,693	586	730	(713)	17
Closing Balance		8,603	35,253	43,856	9,710	33,560	43,270

[The accompanying notes form part of these financial statements]

LUNA PARK RESERVE TRUST

Statement of Cash Flows For the Year Ended 30 June 2018

	Notes	Actual 2018 \$'000	Budget * 2018 \$'000	Actual 2017 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
Other		(2,998)	(1,296)	(2,989)
Total Payments		(2,998)	(1,296)	(2,989)
Receipts				
Sale of Goods and Services		1,896	2,034	2,086
Interest Received		33	103	64
Total Receipts		1,929	2,137	2,150
NET CASH FLOWS FROM OPERATING ACTIVITIES	C1(c)	(1,069)	841	(839)
NET INCREASE/(DECREASE) IN CASH		(1,069)	841	(839)
Opening Cash and Cash Equivalents		3,228	2,734	4,067
CLOSING CASH AND CASH EQUIVALENTS	C1(a)	2,158	3,575	3,228

* The Budget Statement of Cash Flows was not reported to parliament in 2017-18 Budget Paper No. 3 and instead published online at www.budget.nsw.gov.au.

[The accompanying notes form part of these financial statements]

LUNA PARK RESERVE TRUST

Section A: Entity Information and Basis of Preparation

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

A1. REPORTING ENTITY

The Luna Park Reserve Trust (the Trust), is a NSW government entity. The Trust is a not-for-profit entity (as profit is not its principal objective) and it has no cash generating units. The reporting entity is consolidated as part of the NSW Total State Sector Accounts.

The Trust was established on 12 October 1990, under the *Luna Park Site Act 1990*. The purpose of the Trust is to control the Luna Park Site, which has been dedicated to an area of public amusement, recreation and entertainment.

On 9 February 2001, Place Management NSW (PMNSW) was appointed to manage the affairs of the Trust.

These financial statements for the year ended 30 June 2018 have been authorised for issue by the PMNSW Board on 20 September 2018.

A2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The Trust's financial statements are general purpose financial statements which have been prepared on an accrual basis 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 are measured at fair value. Other financial statement items are prepared in accordance with the historical cost convention.

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

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

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

(b) Statement of Compliance

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

(c) 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 the entity as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of an asset's cost of acquisition or as part of an item of expense; and
- (ii) receivables and payables are stated with the amount of GST included.

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

LUNA PARK RESERVE TRUST

Section A: Entity Information and Basis of Preparation

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

(d) 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.

(e) 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 the Trust'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, the Trust categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

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

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

Refer to Notes C3, C4 and F1 for further disclosures regarding fair value measurements of financial and non-financial assets.

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

(i) Effective for the First Time in 2017-18

The accounting policies applied in 2017-18 are consistent with those of the previous financial year except as a result of the following revised Australian Accounting Standards that have been applied for the first time in 2017-18:

- AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107 Statement of Cash Flows.
- AASB 2016-7 Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities.
- AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle.

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

(ii) Issued but Not Yet Effective

NSW public sector entities are not permitted to early adopt new Australian Accounting Standards, unless Treasury determines otherwise. There are a number of recently issued or amended Australian Accounting Standards which are not yet effective and have not been adopted for the reporting period ending 30 June 2018.

The following new Australian Accounting Standards, excluding standards not considered applicable or material to the Trust have not been applied and are not yet effective. The possible impact of these standards in the period of initial application includes:

- AASB 16 "Leases" has application from annual reporting periods on or after 1 January 2019. This standard generally requires a lessee to recognise right-of-use asset and lease liability at a lease's commencement date except for short term and low value asset leases. The requirements for lessor accounting have been carried forward from AASB 117 largely unchanged. As the Trust is not a lessee in its leasing arrangements, the change is not expected to materially impact the financial statements.

LUNA PARK RESERVE TRUST

Section A: Entity Information and Basis of Preparation

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

- AASB 15 "Revenue from Contracts with Customers", including the amendments AASB 2014-5, AASB 2015-8 and AASB 2016-3 has application from annual reporting periods on or after 1 January 2019. The Trust believes this standard may impact on the timing recognition of certain Grants and Contributions Revenue given the core principle of the new standard requires revenue to be recognised at the transaction price when control of the goods or services are transferred to the customer. The model features a contract-based five step analysis of transactions to determine the nature, amount and timing of revenue arising from contracts with customers.

- AASB 1058 "Income of Not-for-profit Entities" and AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities has application from annual reporting periods on or after 1 January 2019. The introduction of AASB 1058 results in the amendment of AASB 1004 "Contributions" with many of its requirements being revised and relocated to AASB 1058. The Trust is yet to undertake a detailed assessment of the impact of AASB 1058 however management believe the initial adoption may defer the recognition of income in some circumstances.

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

Standard	Applicable to Annual Reporting Periods Beginning on or after
AASB 9 Financial Instruments	1 January 2018
AASB 2016-6 Amendments to Australian Accounting Standards - Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts"	1 January 2018

LUNA PARK RESERVE TRUST

Section B: Financial Performance

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

B1. REVENUE

Recognition and Measurement - Revenue

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

	2018	2017
	\$'000	\$'000
Property Rental Income - Operating Lease Income	940	784
Heritage and Infrastructure Rental Income - Operating Lease Income	1,212	1,080
	2,152	1,864

Operating lease income is recognised in accordance with AASB 117 "Leases". Lease income from operating leases where the Trust 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.

(b) Investment Revenue

	2018	2017
	\$'000	\$'000
Interest	33	64
	33	64

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

(c) Grants and Contributions

	2018	2017
	\$'000	\$'000
Grant Revenue	-	3,200
	-	3,200

Contributions and grants are recognised as revenue when the Trust obtains control over the asset comprising the contributions. Grant revenue received in 2017 includes a one-off contribution from Place Management NSW for purchase of a leasehold interest.

B2. EXPENSES EXCLUDING LOSSES

(a) Other Operating Expenses

	2018	2017
	\$'000	\$'000
Management Fee	313	313
Auditor's Remuneration - Audit of Financial Statements	14	14
Other Contractors	97	133
Repairs and Maintenance (i)	2,030	3,083
Legal Fees	-	33
	2,454	3,576

(i) Repairs and 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.

LUNA PARK RESERVE TRUST

Section B: Financial Performance

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

(b) Depreciation Expense

2018	2017
\$'000	\$'000
838	822
838	822

Depreciation Expense

Recognition and Measurement - Depreciation of Property, Plant and Equipment

Except for certain heritage assets, depreciation is provided for on a straight-line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to the entity. All material separately identifiable components of assets are depreciated over their shorter useful lives.

The following asset useful lives have been applied for depreciation purposes:

Asset Class

2018	2017
Years	Years
20-50	20-50
50	50

Buildings and Improvements
Infrastructure

Land is not a depreciable asset. Certain heritage assets including original artworks and collections and heritage buildings may not have a limited useful life because appropriate curatorial and preservation policies are adopted. Such assets are not subject to depreciation. The decision not to recognise depreciation for these assets is reviewed annually.

B3. BUDGET REVIEW

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the reporting period, except for Budget statement of cash flows. 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 \$1.1 million deficit was \$1.1 million lower than budget, primarily due to significant increase in repair and maintenance expenses for heritage and infrastructure assets.

(b) Assets and Liabilities

Total Assets of \$44.3 million were \$0.2 million greater than budget, primarily due to:

- \$1.4 million decrease in Cash and Cash Equivalents due to increase in heritage and infrastructure spending; offset by
- \$1.2 million increase in Property, Plant and Equipment from revaluation increment in 2017-18.

Total Liabilities of \$0.4 million were \$0.2 million greater than budget, primarily due to increase in Payables for heritage and infrastructure spending.

(c) Cash Flows

Closing Cash and Cash Equivalents of \$2.1 million was \$1.4 million lower than budget, primarily due to increase in heritage and infrastructure spending in 2017-18.

LUNA PARK RESERVE TRUST

Section C: Assets

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

C1. CASH AND CASH EQUIVALENTS

(a) Cash and Cash Equivalents - Dissection	2018 \$'000	2017 \$'000
Current		
Cash at Bank	1,998	2,118
Restricted Cash:		
Luna Park Heritage Infrastructure Fund (b)	160	1,110
	2,158	3,228

Cash at Bank comprises of balances within the NSW Treasury Banking System. Interest as determined by NSW Treasury is earned on daily bank balances and paid twice yearly.

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

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 the Trust 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 2018. The analysis is performed on the same basis as for 2017. The analysis assumes that all other variables remain constant.

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

Interest Rate Risk - 2018	Carrying Amount \$'000	-1%		+1%	
Financial Assets	\$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Cash and Cash Equivalents	2,158	(22)	(22)	22	22

Interest Rate Risk - 2017	Carrying Amount \$'000	-1%		+1%	
Financial Assets	\$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Cash and Cash Equivalents	3,228	(32)	(32)	32	32

(b) Restricted Cash	2018 \$'000	2017 \$'000
At the Beginning of Financial Year	1,110	1,414
Collection of Heritage and Infrastructure Rental	932	1,301
Payment for Heritage and Infrastructure Works During the Period	(2,911)	(1,630)
Collection of Interest Income	4	25
Transfer from Operating Bank Account	1,025	-
At the End of Financial Year	160	1,110

The Luna Park Heritage Infrastructure Fund, included in cash, is restricted in application under the Trust. Funds can only be spent on the maintenance of Heritage and Infrastructure Items as defined in the Trust Deed agreement between the Trust and the lessee.

LUNA PARK RESERVE TRUST

Section C: Assets

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

(c) Reconciliation of Cash Flows from Operating Activities to Net Result	2018	2017
	\$'000	\$'000
Net Cash Flow From Operating Activities	(1,069)	(839)
Non Cash Revenue/(Expenses):		
Depreciation	(838)	(822)
Grants and Contributions	-	3,200
Changes in Operating Assets and Liabilities:		
Increase/(Decrease) in Receivables	307	(32)
Decrease/(Increase) in Payables	493	(777)
Net Result	(1,107)	730

C2. RECEIVABLES

(a) Receivables - Dissection	2018	2017
	\$'000	\$'000
Current		
Trade Debtors - Rent Receivable	132	61
GST Receivable	23	160
Accrued Revenue	392	112
Total Current Receivables	547	333

(b) Recognition and Measurement - Receivables

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

When there is objective evidence that the amounts due will not be collected, the Trust recognises an allowance for impairment. The amount of the allowance is the difference between the receivable's carrying amount and the amount expected to be received. When an impairment is recognised, the loss is recorded in the Net Result for the year. Where there is objective evidence of recovering a previously impaired receivable, the reversal of impairment losses is also recognised through the net result for the year.

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

(c) Credit Risk - Trade Debtors

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

Debtors that are not past due as at 30 June 2018 of \$nil (\$nil as at 30 June 2017) and debtors that are past due but not considered impaired as at 30 June 2018 of \$132,000 (\$61,000 as at 30 June 2017) represent 100% (2017: 100%) of the total debtors. There are no debtors which together are currently not past due or impaired whose terms have been renegotiated. There are no debtors that are considered impaired.

The only financial assets that are past due are rental debtors in Receivables within the Statement of Financial Position.

LUNA PARK RESERVE TRUST

Section C: Assets

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

2018	<u><3 Mths</u>	<u>Overdue</u>	<u>>3 Mths</u>	<u>Total</u>
Financial Assets	<u>\$'000</u>	<u>>3 <6 Mths</u>	<u>>3 Mths</u>	<u>2018</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Receivables:				
Past due but not Impaired	132	-	-	132
Considered Impaired	-	-	-	-
Total Credit Risk	132	-	-	132
2017				
Financial Assets	<u><3 Mths</u>	<u>Overdue</u>	<u>>3 Mths</u>	<u>Total</u>
	<u>\$'000</u>	<u>>3 <6 Mths</u>	<u>>3 Mths</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Receivables:				
Past due but not Impaired	61	-	-	61
Considered Impaired	-	-	-	-
Total Credit Risk	61	-	-	61

Notes

(i) Each column in the table reports gross receivables.

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

C3. PROPERTY, PLANT AND EQUIPMENT

(a) Property, Plant and Equipment - Dissection	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>
Non-Current		
Land		
At Fair Value	17,690	16,846
Carrying Amount at 30 June	17,690	16,846
Buildings		
At Fair Value	25,626	24,853
Accumulated Depreciation	(9,319)	(8,644)
Carrying Amount at 30 June	16,307	16,209
Infrastructure		
At Fair Value	15,901	15,592
Accumulated Depreciation	(8,317)	(7,921)
Carrying Amount at 30 June	7,584	7,671
Total Property, Plant and Equipment		
At Fair Value	59,217	57,291
Accumulated Depreciation	(17,636)	(16,565)
Total Property Plant and Equipment Carrying Amount at 30 June	41,581	40,726

LUNA PARK RESERVE TRUST

Section C: Assets

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

(b) Reconciliation of Opening and Closing Carrying Amounts	2018	2017
	\$'000	\$'000
Land		
Carrying Amount at 1 July	16,846	15,000
Additions	-	3,200
Net Revaluation Increment/(Decrement)	844	(1,354)
Carrying Amount at 30 June	17,690	16,846
Buildings		
Carrying Amount at 1 July	16,209	16,217
Depreciation Expense	(526)	(515)
Net Revaluation Increment/(Decrement)	625	507
Carrying Amount at 30 June	16,308	16,209
Infrastructure		
Carrying Amount at 1 July	7,671	7,844
Depreciation Expense	(312)	(307)
Net Revaluation Increment/(Decrement)	224	134
Carrying Amount at 30 June	7,583	7,671
Total Property Plant and Equipment Carrying Amount at 30 June	41,581	40,726

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

(i) Acquisitions of Assets

Assets acquired are initially recognised at cost. 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. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at measurement date.

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

(ii) Capitalisation Thresholds

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

LUNA PARK RESERVE TRUST

Section C: Assets

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

(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" and AASB 116 "Property, Plant and Equipment".

Property, plant and equipment is measured at the highest and best use by market participants that is physically possible, legally permissible and financially feasible. The highest and best use must be available at a period that is not remote and take into account the characteristics of the asset being measured, including any social-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 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. Also refer to Note C4 for further information regarding fair value.

The Trust revalues each class of property, plant and equipment at least every three years or with sufficient regularity to ensure that the carrying amount of each asset in the class does not differ materially from its fair value at reporting date. A comprehensive revaluation was performed on 30 June 2016 by AON Global Risk Consulting Valuation Services (AON).

Interim revaluations are conducted between comprehensive revaluations where cumulative changes to indicators suggest fair value may differ materially from carrying value. An interim formal revaluation was completed by AON on 30 June 2018.

Non-specialised assets with short useful lives are measured at depreciated historical cost, as a surrogate for fair value.

When revaluing non-current assets by reference to current prices for assets newer than those being revalued (adjusted to reflect the present condition of the assets), the gross amount and the related accumulated depreciation are separately restated.

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

Revaluation increments are credited directly to Asset 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 Asset Revaluation Reserve in respect of the same class of assets, they are debited directly to the Asset Revaluation Reserve.

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

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

(iv) Impairment of Property, Plant and Equipment

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

At each reporting date the Trust assesses whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Trust 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 Asset Revaluation Reserve for the class of asset.

LUNA PARK RESERVE TRUST

Section C: Assets

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

(v) Major Inspection Costs

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

(vi) Restoration Costs

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

C4. 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 A2(e) and C4):

(a) Fair Value Hierarchy 2018

	Level 1	Level 2	Level 3	Total Fair Value
	\$'000	\$'000	\$'000	\$'000
Property, Plant and Equipment (Note C3)				
Land	-	17,690	-	17,690
Buildings	-	-	16,308	16,308
Infrastructure	-	-	7,583	7,583
	-	17,690	23,891	41,581

2017

	Level 1	Level 2	Level 3	Total Fair Value
	\$'000	\$'000	\$'000	\$'000
Property, Plant and Equipment (Note C3)				
Land	-	16,846	-	16,846
Buildings	-	-	16,209	16,209
Infrastructure	-	-	7,671	7,671
	-	16,846	23,880	40,726

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

(b) Valuation Techniques, Input and Processes

For each class of property, plant and equipment, a description of the valuation technique applied and the inputs used in the fair value measurement is disclosed in the table below. For the valuation processes refer note C3(b)(iii).

Class	Valuation Technique	Key Inputs
Land	Market approach (recurring) - assets are valued based on comparable property sales transactions having regard to matters such as heritage restrictions, zoning, location, topography, aspect, frontage, size, shape, date of contract and current market conditions	- Comparable property sales values - Adjustments including condition, location, heritage restrictions topography
Buildings	Depreciated replacement cost approach (recurring) - assets are valued based on the structure, fabric and finishes as a heritage structure, rates reflect modern building techniques with regard to Rawlinson's Australian Construction Handbook 2018	- Current unit replacement costs - Adjustments including capital improvements, remaining useful lives of buildings
Infrastructure	Depreciated replacement cost approach (recurring) - assets are valued based on the structure, fabric and finishes as a heritage structure, rates reflect modern building techniques with regard to Rawlinson's Australian Construction Handbook 2018	- Current unit replacement costs - Adjustments including capital improvements, remaining useful lives of infrastructure

LUNA PARK RESERVE TRUST

Section C: Assets

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

(c) Reconciliation of Recurring Level 3 Fair Value Measurements

2018	Buildings	Infrastructure	Total Recurring Level 3 Fair Value
	\$'000	\$'000	\$'000
Fair Value as at 1 July 2017	16,209	7,671	23,880
Revaluation Increments/(Decrements)	625	224	849
Depreciation	(526)	(312)	(838)
Fair Value as at 30 June 2018	16,308	7,583	23,891

2017	Buildings	Infrastructure	Total Recurring Level 3 Fair Value
	\$'000	\$'000	\$'000
Fair Value as at 1 July 2016	16,217	7,844	24,061
Revaluation Increments/(Decrements)	507	134	641
Depreciation	(515)	(307)	(822)
Fair Value as at 30 June 2017	16,209	7,671	23,880

There were no transfers into or out of Level 3 during the periods.

LUNA PARK RESERVE TRUST

Section D: Liabilities

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

D1. PAYABLES

(a) Payables

	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>
Current		
Trade Creditors	382	21
Accrued Expenses	48	996
	<u>430</u>	<u>1,017</u>

(b) Recognition and Measurement - Payables

Payables are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Payables represent liabilities for goods and services provided to the entity 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.

The Trust's payables are all non-interest bearing. Payable items which are out of the scope of AASB 7 "Financial Instruments: Disclosures" have been excluded from the carrying amount shown in the Statement of Financial Position.

(c) Liquidity Risk

Liquidity risk is the risk that the Trust will be unable to meet its payment obligations when they fall due. The Trust 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. The Trust has no borrowings as at 30 June 2018.

During the current period, there were no defaults or breaches on any loan payable. No assets have been pledged as collateral. The Trust's exposure to liquidity risk is deemed insignificant based on current assessment of risk.

(d) Maturity Profile

All of the Trust's payables and accruals have a maturity of less than 12 months (2017: less than 12 months). Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in Treasury Circular TC 11/12. 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 statement is received. Treasury Circular TC 11/12 allows the Minister to award interest for late payment.

LUNA PARK RESERVE TRUST

Section E: Equity

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

E1. EQUITY

(a) Accumulated Funds

The category Accumulated Funds includes all current and prior period retained funds.

Accumulated Funds Movement	2018	2017
	\$'000	\$'000
Carrying Amount at 1 July	9,710	8,980
Net Result for the Year	(1,107)	730
Carrying Amount at 30 June	8,603	9,710

(b) Asset Revaluation Reserve

The revaluation surplus is used to record increments and decrements on the revaluation of non-current assets. This accords with the Trust's policy on the Revaluation of Property, Plant and Equipment as discussed in Note C3.

Asset Revaluation Reserve Movement	2018	2017
	\$'000	\$'000
Carrying Amount at 1 July	33,560	34,273
Net Increase/(Decrease) on Revaluation (Note C3(b))	1,693	(713)
Carrying Amount at 30 June	35,253	33,560
Dissection by Asset Class:		
Land	12,870	12,026
Buildings	15,242	14,617
Infrastructure	7,141	6,917
Total Asset Revaluation Reserve at 30 June	35,253	33,560

LUNA PARK RESERVE TRUST

Section F: Financial Instruments and Other Notes

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

F1. FINANCIAL INSTRUMENTS

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

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

The PMNSW Board (as the Trust manager) has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the Trust, to set risk limits and controls and to monitor risks. Compliance with policies is reviewed by Management on a continuous basis.

(a) Financial Instrument Categories

			2018	2017
			\$'000	\$'000
Financial Assets - Carrying Amounts				
<u>Class:</u>	<u>Category</u>	<u>Notes</u>		
Cash and Cash Equivalents	N/A	C1	2,158	3,228
Receivables (i)	Loans and Receivables (at Amortised Cost)	C2	524	173
Financial Liabilities - Carrying Amounts				
<u>Class:</u>	<u>Category</u>	<u>Notes</u>		
Payables (ii)	Financial Liabilities (at Amortised Cost)	D1	430	1,017

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

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

(b) Credit Risk

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

Credit risk arises from the financial assets of the Trust, including cash and receivables (Notes C1 and C2). No collateral is held by the Trust and the Trust has not granted any financial guarantees. Credit risk associated with the Trust's financial assets, other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards.

(c) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Trust's exposures to market risk are primarily through interest rate risk on the Trust's Cash and Cash Equivalents (Note C1). The Trust has no exposure to foreign currency risk and does not enter into commodity contracts.

(d) Fair Value of Financial Instruments

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

LUNA PARK RESERVE TRUST

Section F: Financial Instruments and Other Notes

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

(e) Impairment of Financial Assets

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

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

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

F2. COMMITMENTS FOR EXPENDITURE

The Trust has no expenditure commitments at 30 June 2018 (Nil at 30 June 2017).

F3. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

The Trust is not aware of any contingent assets or liabilities at 30 June 2018 (Nil at 30 June 2017).

F4. RELATED PARTY DISCLOSURES

(a) Key Management Personnel Compensation

During the year, the Trust did not pay any compensation to its key management personnel, nor did the Trust incur any expense in respect of the key management personnel services that are provided by a separate management entity.

(b) Transactions and Outstanding Balances with Other Related Parties

During the year, the Trust did not enter into other transactions with key management personnel, their close family members and controlled or jointly controlled entities thereof.

(c) Transactions and Outstanding Balances with Other Government Entities

During the year, the Trust entered into transactions with other entities that are controlled/jointly controlled/significantly influenced by NSW Government. These transactions in aggregate are a significant portion of the Trust's sale of goods/rendering of services/receiving of services.

F5. EVENTS AFTER REPORTING DATE

The Trust has not identified any events or transactions that are material to require adjustments or disclosures in the financial report.

End of Audited Financial Statements