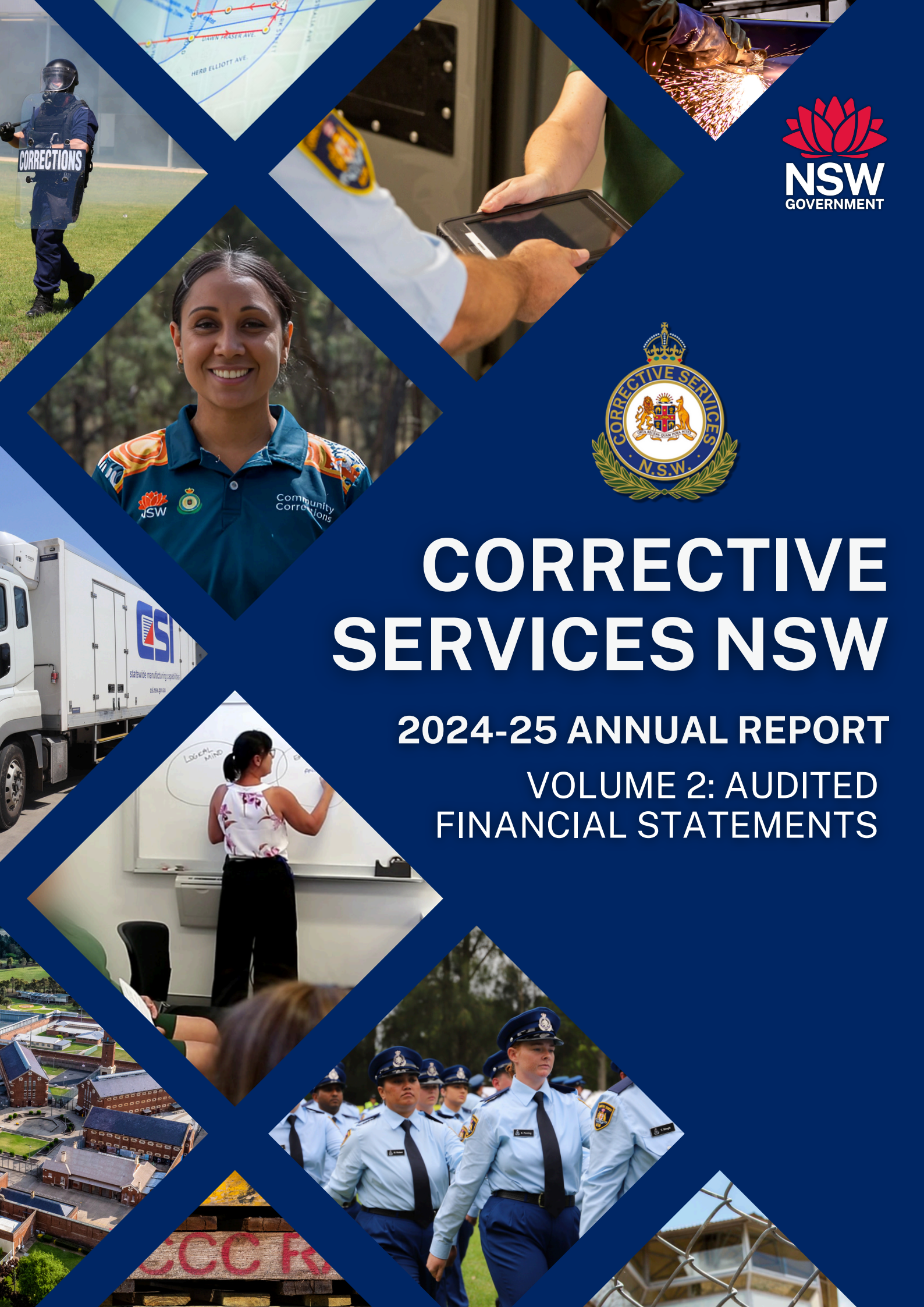


NSW GOVERNMENT

CORRECTIVE SERVICES N.S.W.

CORRECTIVE SERVICES NSW

2024-25 ANNUAL REPORT

VOLUME 2: AUDITED FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

Corrective Services NSW

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the Corrective Services NSW (CSNSW), which comprise the Statement by the Commissioner, the Statement of Comprehensive Income for the period 1 October 2024 to 30 June 2025, the Statement of Financial Position as at 30 June 2025, the Statement of Changes in Equity and the Statement of Cash Flows, for the period then ended, and notes to the financial statements, including a Statement of Material Accounting Policy Information, and other explanatory information.

In my opinion, the financial statements:

- have been prepared in accordance with Australian Accounting Standards and the applicable financial reporting requirements of the *Government Sector Finance Act 2018* (GSF Act), the Government Sector Finance Regulation 2024 (GSF Regulation) and the Treasurer's Directions
- presents fairly the CSNSW's financial position, financial performance and cash flows.

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 CSNSW in accordance with the requirements of the:

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

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

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

The Commissioner's Responsibilities for the Financial Statements

The Commissioner is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the GSF Act, GSF Regulation and Treasurer's Directions. The Commissioner's responsibility also includes such internal control as the Commissioner

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 Commissioner is responsible for assessing the CSNSW's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

- that the CSNSW 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.



Joan Rey Uyanguren
A/Director, Financial Audit

Delegate of the Auditor-General for New South Wales

25 September 2025
SYDNEY

Corrective Services NSW
STATEMENT BY THE COMMISSIONER
for the period ended 30 June 2025

Pursuant to Section 7.6(4) of the *Government Sector Finance Act 2018* ('the GSF Act'), I state that:

(a) The accompanying financial statements and notes have been prepared in accordance with:
- applicable Australian Accounting Standards (which include Australian Accounting Interpretations);
- the applicable requirements of the GSF Act, the *Government Sector Finance Regulation 2024*; and
- the Treasury Directions issued under the GSF Act.

(b) The financial statements and notes present fairly the Corrective Services NSW's financial position, financial performance and cash flows for the period ended 30 June 2025.



Gary McCahon PSM
Commissioner
Corrective Services NSW

19 September 2025



Matt Easdown
Chief Financial Officer
Corrective Services NSW

19 September 2025

Corrective Services NSW
Statement of Comprehensive Income
for the period 1 October 2024 to 30 June 2025

	Notes	Actual 2025 $'000
Continuing operations		
Expenses excluding losses		
Employee related expenses	2(a)	**1,157,647**
Operating expenses	2(b)	**456,702**
Depreciation and amortisation	2(c)	**169,524**
Grants and subsidies	2(d)	**9,119**
Finance costs	2(e)	**17,961**
Total expenses excluding losses		**1,810,953**
Revenue		
Sale of goods and services from contracts with customers	3(a)	**84,855**
Investment revenue	3(b)	**424**
Grants and other contributions	3(c)	**1,434,920**
Acceptance by the Crown of employee benefits and other liabilities	3(d)	**36,615**
Other income	3(e)	**8,092**
Total revenue		**1,564,906**
Operating result		**(246,047)**
Gains/(losses) on disposal	4	**(1,516)**
Impairment reversals/(losses) on financial assets		**(1,652)**
Other gains/(losses)	5	**(1,539)**
Net result from continuing operations		**(250,754)**
Other comprehensive income		
Items that will not be reclassified to net result in subsequent periods		
Net change in revaluation surplus of property, plant and equipment	9	**282,475**
Total other comprehensive income		**282,475**
TOTAL COMPREHENSIVE INCOME		**31,721**

The accompanying notes form part of these financial statements.

Corrective Services NSW
Statement of Financial Position
as at 30 June 2025

	Notes	Actual 2025 $'000
ASSETS		
Current Assets		
Cash and cash equivalents	6	**174,338**
Receivables	7	**29,007**
Inventories	8	**19,948**
Total Current Assets		**223,293**
Non-Current Assets		
Property, plant and equipment	9	
Land and buildings		**5,165,002**
Plant and equipment		**402,627**
Total property, plant and equipment		**5,567,629**
Right-of-use assets	10	**72,099**
Intangible assets	11	**7,325**
Total Non-Current Assets		**5,647,053**
Total Assets		**5,870,346**
LIABILITIES		
Current Liabilities		
Payables	13	**196,491**
Borrowings	14	**42,935**
Provisions	16	**232,109**
Total Current Liabilities		**471,535**
Non-Current Liabilities		
Borrowings	14	**671,232**
Derivative liabilities	15	**8,184**
Provisions	16	**8,090**
Total Non-Current Liabilities		**687,506**
Total Liabilities		**1,159,041**
Net Assets		**4,711,305**
EQUITY		
Reserves		**282,475**
Accumulated funds		**4,428,830**
Total Equity		**4,711,305**

The accompanying notes form part of these financial statements.

Corrective Services NSW
Statement of Changes in Equity
for the period 1 October 2024 to 30 June 2025

	Notes	Accumulated funds $'000	Asset revaluation reserve $'000	Total equity $'000
Balance at 1 October 2024		-	-	-
Net result for the period		(250,754)	-	(250,754)
Other comprehensive income				
Net change in revaluation surplus of property, plant and equipment	9	-	282,475	282,475
Total other comprehensive income		**-**	**282,475**	**282,475**
Total comprehensive income for the year		**(250,754)**	**282,475**	**31,721**
Transactions with owners in their capacity as owners				
Increase in net assets from equity transfers	17	4,679,584	-	4,679,584
Balance at 30 June 2025		**4,428,830**	**282,475**	**4,711,305**

The accompanying notes form part of these financial statements.

Corrective Services NSW
Statement of Cash Flows
for the period 1 October 2024 to 30 June 2025

	Notes	Actual 2025 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments		
Employee related		**(1,099,125)**
Suppliers for goods and services		**(294,189)**
Grants and subsidies		**(9,119)**
Finance costs		**(17,920)**
Total payments		**(1,420,353)**
Receipts		
Sale of goods and services		**89,968**
Interest received		**424**
Grants and other contributions		**1,434,170**
Other		**52,123**
Total receipts		**1,576,685**
NET CASH FLOWS FROM OPERATING ACTIVITIES	20	**156,332**
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment		**1,330**
Purchase of property, plant and equipment and intangible assets		**(31,473)**
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(30,143)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of borrowings		**(24,808)**
Payment of principal portion of lease liabilities		**(6,886)**
NET CASH FLOWS FROM FINANCING ACTIVITIES		**(31,694)**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**94,495**
Opening cash and cash equivalents		**-**
Increase in cash from equity transfers - 1 October 2024	17	**79,843**
CLOSING CASH AND CASH EQUIVALENTS	6	**174,338**

The accompanying notes form part of these financial statements.

1. Statement of Material Accounting Policy Information

(a) Reporting entity

Corrective Services NSW (CSNSW) is an NSW government entity and is controlled by the State of New South Wales, which is the ultimate parent. CSNSW is a not-for-profit entity (as profit is not its principal objective) and it has no cash generating units.

CSNSW, as a reporting entity, comprises Corrective Services NSW and Corrective Services Industries (CSI), a division of CSNSW. CSI operates business units within correctional centres, providing inmates with work experience that supports their reintegration into the community, while also contributing to the self-sustainability of the correctional system.

As per the *Administrative Arrangements (Administrative Changes- Corrective Services NSW) Order 2024,* the Corrective Services NSW branch of the Department of Communities and Justice (DCJ), other than the Professional Standards and Investigations division of the branch, is transferred to CSNSW as a newly established Public Service Agency. The employees, functions, assets and liabilities and inmates trust fund relating to Corrective Services NSW branch of DCJ were transferred to CSNSW with effect from 1 October 2024. Refer to Note 17 for details of assets and liabilities transferred in as part of the administrative restructure.

CSNSW's first financial statements for the period 1 October 2024 to 30 June 2025 have been authorised for issue by the Commissioner on the date the accompanying statement was signed.

(b) Basis of preparation

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

- applicable Australian Accounting Standards (AAS) (which include Australian Accounting Interpretations)
- the requirements of *Government Sector Finance Act 2018* (GSF Act)
- Treasurer's Directions issued under the GSF Act.

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

Property, plant and equipment and assets (or disposal groups) held for sale and certain financial assets and liabilities are measured using the fair value basis. Other financial statements items are prepared in accordance with the historical cost convention adjusted for impairment loss, except where otherwise stated.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency, which is CSNSW's presentation and functional currency, except for written notes that accompany the main notes to the financial statements which are expressed in millions of Australian dollars to one decimal place.

The financial statements for the period ended 30 June 2025 are prepared on a going concern basis. There is an excess of current liabilities over current assets of $248.2 million and a loss from continuing operations of $250.8 million, whilst the net cash flows from operating activities is positive by $156.3 million. CSNSW is funded by portfolio grant from DCJ, which receives appropriations from the Consolidated Fund.

(c) Statement of compliance

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

1. Statement of Material Accounting Policy Information (cont'd)

(d) Budgeted amounts

As CSNSW was established after the presentation of the 2024-25 State Budget to Parliament, AASB 1055 *Budgetary Reporting* is not applicable. Therefore, budget information, including budget reviews, is not presented in these financial statements.

(e) Comparative information

CSNSW was established on 1 October 2024, and the 2024-25 financial statements are the first set of statements of CSNSW. Therefore, there is no comparative information in respect of the previous period for all amounts reported in the financial statements. However, to facilitate the comparison of the operating results with the previous year, a notional income statement for a full 12-month period with the comparative figures of the activities transferred in is provided in Note 17(ii) as per NSW Treasury Circular *'Financial Statements Disclosure for Machinery of Government Changes'* (TC19-06).

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

(i) Effective for the first time in 2024-25

Several amendments and interpretations apply for the first time in 2024-25, but do not have a material impact on the financial statements of CSNSW.

AASB 2022-10 *Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities*, which became effective in 2024-25, has no material impact on the financial position or performance of CSNSW. This is because the CSNSW's current application of AASB 13 Fair Value Measurement to fair value its non-financial assets not held primarily for their ability to generate net cash inflows is already in accordance with the guidance provided in AASB 2022-10.

(ii) Issued but not yet effective

CSNSW has assessed the impact of the new standards and interpretations on issue but not yet effective where relevant and considers the impact to be not material.

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

The following new Accounting Standards have not been applied and are not yet effective as per '*Treasury mandates of options and major policy decisions under Australian Accounting Standards'* NSW Treasury Policy and Guidelines Paper (TPG 25-02).

- AASB 17 *Insurance Contracts*
- *AASB 18 Presentation and Disclosure in Financial Statements*
- AASB 2014-10 *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between Investor and its Associate or Joint Venture*
- AASB 2022-9 *Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector*
- AASB 2023-5 *Amendments to Australian Accounting Standards – Lack of Exchangeability*
- AASB 2024-2 *Amendments to the Classifications and Measurement of Financial Instruments*
- AASB 2024-3 *Amendments to Australian Accounting Standards – Annual Improvements Volume 11*
- AASB 2024-4B *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 [deferred AASB 10 and AASB 128 amendments in AASB 2014-10 apply].*

1. Statement of Material Accounting Policy Information (cont'd)

(g) Impact of climate-related matters on financial reporting for 2024-25

CSNSW has considered the potential impacts of climate-related risks on its financial statements for the 2024–25 financial year. This assessment considered potential impacts on asset valuations, impairment indicators, and provisions mainly arising from extreme weather events, changes in asset use, or regulatory developments. While CSNSW was affected by certain weather events during the reporting period, these did not result in material changes to the carrying values of assets. Although some costs were incurred in response to these events, CSNSW recovered most of these through insurance arrangements for the limited damage identified.

2. Expenses excluding losses

(a) Employee related expenses

	2025 $'000
Salaries and wages (including annual leave)	**854,469**
Superannuation - defined benefit plan	**3,920**
Superannuation - defined contribution plan	**94,254**
Long service leave	**29,464**
Payroll tax and fringe benefits tax	**50,963**
Redundancy	**113**
Workers' compensation insurance premiums	**124,464**
	1,157,647

Employee related costs capitalised in fixed asset accounts are excluded from the above and totalled $0.02 million.

(b) Operating expenses

	2025 $'000
Auditor's remuneration - audit of the financial statements	**650**
Cleaning	**3,365**
Consultants	**446**
Expense relating to short-term leases	**645**
Insurance premiums	**41,051**
Motor vehicle operating	**7,760**
Prison hospital service fee	**7,275**
Repairs and maintenance (refer Note 2(b) – Note A below)	**10,449**
Telecommunication	**4,966**
Travel	**3,477**
Fees for services	**7,827**
Staff related costs	**9,689**
Contractors and outsourced services	**3,073**
Legal and other professional fees	**3,005**
Postage and stationery	**5,514**
IT related costs	**2,914**
Corrective Services Industries - Cost of sales	**25,836**
Offender programs and welfare	**73,792**
Building outgoings	**13,754**
Utilities and rates	**29,972**
Other expenses	**8,015**
Service Concession Arrangements costs (refer Note 9)	**193,227**
	456,702

2. Expenses excluding losses (cont'd)

(b) Operating expenses (cont'd)

	2025 $'000
Note A - Reconciliation - Total maintenance	
Maintenance expense - contracted labour and other (non-employee related) as above	**10,449**
Employee related maintenance expense included in Note 2 (a)	**4,639**
Total maintenance expense included in Note 2 (a) and 2 (b)	**15,088**

Recognition and measurement

Insurance

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

Maintenance expense

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

Lease expense

CSNSW recognises the lease payments associated with the following types of leases as an expense on a straight-line basis:

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

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

Offender programs and welfare

Offender programs and welfare expenses comprise costs associated with inmate support and reintegration services. These include provision of food, electronic monitoring, education services, library access, laundry, medical care, training, and other related services. These costs are recognised as expenses when incurred.

(c) Depreciation and amortisation

	2025 $'000
Depreciation	
Buildings	**119,456**
Plant and equipment	**42,280**
Right-of-use asset - land and buildings	**1,299**
Right-of-use asset - plant and equipment	**4,459**
	167,494
Amortisation	
Intangibles	**2,030**
	2,030
Total depreciation and amortisation	**169,524**

Refer to Notes 9, 10 and 11 for recognition and measurement policies on depreciation and amortisation.

2. Expenses excluding losses (cont'd)

(d) Grants and subsidies

	2025 $'000
Adult community and offender management services	**9,119**
	9,119

Recognition and measurement

Grants are generally recognised as an expense when CSNSW transfers control of the contribution. Control is deemed to have transferred when the grant is paid or payable.

(e) Finance costs

	2025 $'000
Unwinding of discount and effect of changes in discount rate on provisions	**41**
Interest expense from financial liabilities at amortised cost*	**16,570**
Interest expense from lease liabilities	**1,350**
	17,961

*The interest expense from financial liabilities at amortised cost of $16.6 million is related to financial liabilities arising from service concession arrangements. Refer to Note 9 and Note 14 for further details on service concession arrangements and related liabilities.

3. Revenue

Recognition and Measurement

Income is recognised in accordance with the requirements of AASB 15 *Revenue from Contracts with Customers* or AASB 1058 *Income of Not-for-Profit Entities*, dependent on whether there is a contract with a customer as defined by AASB 15 *Revenue from Contracts with Customers*. Comments regarding the accounting policies for the recognition of income are discussed below.

(a) Sale of goods and services from contracts with customers

	2025 $'000
Sale of goods	
Sale of goods - Corrective Services Industries	**13,488**
	13,488
Rendering of services	
Corrective Services Industries	**41,131**
Canteen sales	**1,956**
Minor usage charges	**3,995**
Other revenue	**573**
	47,655
Licence fees	
Licence fees	**23,712**
	23,712
	84,855

Recognition and measurement

(i) Sale of goods

Revenue from sale of goods is recognised as or when CSNSW satisfies a performance obligation by transferring the promised goods.

Type of good	Nature of timing of satisfaction of performance obligation, including significant payment terms	Revenue recognition policies
Goods - Corrective Services Industries (CSI) CSNSW's revenue from sale of goods from CSI is derived from the sale of goods purchased by CSI to inmates and the sale of manufactured and assembled goods to external market. These goods are constructed and provided by eligible inmates participating in work programs and accredited training, and are either sold back to inmates, to external customers on an ad-hoc basis, or to customers governed by a contract.	CSNSW typically satisfies its performance obligations at the point in time when the goods have been collected by the inmate or when the goods are delivered to external market customer. The payments are due when the goods are transferred to the inmates/customers and invoices are generated.	Revenue from these sales is recognised based on the price specified in the contract or display prices, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as the sales are made with cash or a short credit term. No volume discount or warranty is provided on the sale.

3. Revenue (cont'd)

(a) Sale of goods and services from contracts with customers (cont'd)

Recognition and measurement (cont'd)

(ii) Rendering of services

Revenue from rendering of services is recognised when CSNSW satisfies the performance obligation by transferring the promised services.

Type of service	Nature of timing of satisfaction of performance obligation, including significant payment terms	Revenue recognition policies
(i) Services - CSI CSI sale of services is derived from the provision of service solutions which are provided by eligible inmates participating in work programs and accredited training to external customers on an ad-hoc basis, or to customers governed by a contract.	CSNSW typically satisfies its performance obligations when the services have been provided by the eligible inmates to the customers and the invoices are issued to the customers at the point in time. The payments are typically due when the services are transferred to the customer and when invoices are generated.	Revenue from CSI services are recognised based on the price specified in the contract or display prices, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as the sales are made with cash or a short credit term. No volume discount or warranty is provided on the sale.
(ii) Minor usage charges Revenue received from other minor services rendered by CSNSW.	Depending on the nature of service rendered, CSNSW satisfies its performance obligations when the services are provided to the customers either at the point in time or over time (fortnightly or monthly). The invoices are based on the number of clients receiving the services and fixed rate charges agreed in the contract.	When performance obligations are satisfied at a point in time, the revenue is recognised when the promised services are transferred and the invoices are issued to the customers. For performance obligations satisfied over time, because the customers simultaneously receive and consume the benefits of the services as CSNSW performs its obligations, the revenue is recognised when CSNSW has transferred the promised services to the customers fortnightly or monthly.
(iii) Licence fees CSNSW granted a licence to an external operator for access to and operation of the Clarence Correctional Centre.	CSNSW satisfies its performance obligations by transferring control of access and operational rights of the Clarence Correctional Centre under an arrangement effective until 30 June 2040. The invoices are generated quarterly based on fixed rate charges in accordance with the arrangement.	Revenue is recognised when CSNSW satisfies its performance obligations based on the fixed rate charges outlined in the arrangement and only to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as the sales are made with a short credit term.

3. Revenue (cont'd)

(b) Investment revenue

	2025 $'000
Bank interest	**424**
	424

(c) Grants and other contributions

	2025 $'000
Grants without sufficiently specific performance obligations	
Recurrent grants from DCJ	**1,389,849**
Capital grants from DCJ	**41,311**
Correctional centres health service	**391**
Domestic and Family Violence	**1,152**
Sober Driver Program	**750**
Infrastructure Betterment Fund	**1,337**
Other grants	**130**
	1,434,920

Recognition and measurement

Income from grants without sufficiently specific performance obligations are recognised when CSNSW obtains control over the granted assets or when cash grant is received.

Receipt of volunteer services is recognised when and only when the fair value of those services can be reliably determined, and the services would have been purchased if not donated. Volunteer services are measured at fair value. CSNSW did not receive any material volunteer services for the period ended 30 June 2025. Corporate and specialist support was provided by DCJ as part of transitional arrangements, refer to Note 17 for further details.

(d) Acceptance by the Crown of employee benefits and other liabilities

	2025 $'000
The following liabilities and / or expenses have been assumed by the Crown:	
Superannuation defined benefit	**3,889**
Long service leave	**32,524**
Payroll tax	**202**
	36,615

(e) Other income

	2025 $'000
Rental income	**1,570**
Work release program	**1,019**
Insurance claims	**445**
Other*	**5,058**
	8,092

*Other income includes a lease liability balance adjustment to reflect the correct amount as of 30 June 2025, with a reduction of $4.7 million recorded in the current reporting period. Refer to Note 10.

3. Revenue (cont'd)

(e) Other income (cont'd)

Recognition and measurement

Rental Income

Rental income from operating leases is recognised as revenue on a straight-line basis over the lease term.

(f) Summary of compliance

The Appropriation Act 2024 (Appropriation Act) and the subsequent variations appropriates the sum of $21,345.7 million to the Attorney General of the Consolidated Fund for the services of DCJ for the year 2024-25. The spending authority of the Attorney General from the Appropriation Act has been delegated or subdelegated to officers of DCJ and entities that it is administratively responsible for, including CSNSW.

The lead minister for CSNSW, being the Attorney General is taken to have been given an appropriation out of the Consolidated Fund under the authority section 4. 7 of the GSF Act, at the time CSNSW receives or recovers any deemed appropriation money, for an amount equivalent to the money that is received or recovered by CSNSW. These deemed appropriations are taken to have been given for the services of DCJ.

A summary of compliance is disclosed in the financial statements of the Annual Report of DCJ. It has been prepared by aggregating the spending authorities of the Attorney General for the services of DCJ. It reflects the status at the point in time this disclosure statement is being made. CSNSW's spending authority and expenditure is included in the summary of compliance.

The delegation/sub-delegations for 2024-25, authorising officers of CSNSW to spend Consolidated Fund money, impose limits on the amounts of individual transactions, but not the overall expenditure of CSNSW. However, as they relate to expenditure in reliance on a sum appropriated by legislation, the delegation/sub-delegations are subject to the overall authority of DCJ to spend monies under relevant legislation. The individual transaction limits have been properly observed. The information in relation to the aggregate expenditure limit from the Appropriation Act and other sources is disclosed in the summary of compliance table included in the financial statements of the Annual Report of DCJ.

4. Loss on disposal

	2025 $'000
Loss on disposal of land and buildings, plant and equipment and intangibles	
Proceeds from disposal*	**1,330**
Written down value of assets disposed	**(2,846)**
Net loss on disposal of land and buildings, plant and equipment and intangibles	**(1,516)**

*Proceeds from disposal include $0.03 million from partial land disposal under the *Road Act 1993* from Wellington Correctional Centre to Dubbo Regional Council on 22 November 2024, and $1.3 million from the sale of Lot 2 of Grafton Correctional Centre to NSW Health Administration Corporation on 15 January 2025.

5. Other gains / (losses)

	2025 $'000
Unrealised gains/(losses) on derivatives at fair value through profit or loss	**(1,855)**
Realised gains/(losses) on derivatives at fair value through profit or loss	**313**
Gain / (loss) on disposal of right-of-use assets	**3**
	(1,539)

Recognition and measurement

Impairment losses on non-financial assets

Impairment losses may arise on non-financial assets held by CSNSW from time to time. Accounting for impairment losses is dependent upon the individual asset (or group of assets) subject to impairment. Accounting Policies and events giving rise to impairment losses are disclosed in the following notes:

Trade Receivables – Note 7
Property, plant and equipment – Note 9
Leases – Note 10
Intangible assets – Note 11

6. Cash and cash equivalents

	2025 $'000
Cash at bank and on hand	**174,338**
Total cash and cash equivalents	**174,338**

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash on hand, cash at bank and short-term deposits with original maturities of three months or less and subject to an insignificant risk of changes in value.

Cash and cash equivalent assets recognised in the Statement of Financial Position are reconciled at the end of financial year to the Statement of Cash Flows as follows:

Cash and cash equivalents (per Statement of Financial Position)	**174,338**
Closing cash and cash equivalents (per Statement of Cash Flows)	**174,338**

Refer to Note 21 for details regarding credit risk and market risk arising from financial instruments.

7. Receivables

	2025 $'000
Current	
Trade receivables from contracts with customers	**9,230**
	9,230
Less: Allowance for expected credit losses*	
- Trade receivables from contracts with customers	**(4,434)**
Total expected credit losses	**(4,434)**
Amounts due from other government agencies	**9,066**
Goods and services tax recoverable from ATO	**8,032**
Prepayments	**3,659**
Other receivables	**3,454**
	29,007

***Movements in the allowance for expected credit losses**	2025 $'000
Balance at 1 October 2024	**-**
Transferred in from administrative restructure	**2,782**
Amounts written off during the year	**-**
Increase/(decrease) in allowance recognised in net results	**1,652**
Balance at 30 June 2025	**4,434**

Details regarding credit risk of trade receivables that are neither past due nor impaired, are disclosed in Note 21.

Recognition and measurement

CSNSW recognises a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument. To determine when CSNSW becomes a party to the contractual provisions of the instrument, CSNSW considers:

- Whether CSNSW has a legal right to receive cash (financial asset) or a legal obligation to pay cash (financial liability); or
- Whether at least one of the parties has performed under the agreement.

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

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

Trade receivables from contracts with customers and other receivables are recognised for accounting purposes only when they comply with established asset recognition criteria, where debts can be reliably measured and provide a future economic benefit.

Details regarding credit risk of trade debtors that are neither past due nor impaired, are disclosed in Note 21.

7. Receivables (cont'd)

Recognition and measurement (cont'd)

Subsequent measurement

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

Impairment

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

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

8. Inventories

	2025 $'000
Raw materials - at cost	**8,278**
Work in progress - at cost	**610**
Finished goods - at cost	**9,748**
Livestock - At net realisable value[1]	**1,312**
	19,948

Recognition and measurement

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method.

The cost of inventories acquired at no cost or for nominal consideration is the current replacement cost as at the date of acquisition. Current replacement cost is the cost CSNSW would incur to acquire the asset. 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 the sale.

[1] Market appraisals have been obtained to determine fair value, less cost to sell, of all livestock held at the end of the reporting period.

9. Property, plant and equipment

Total property, plant and equipment

	Land and buildings $'000	Plant and equipment $'000	Total $'000
Assets transferred from administrative restructure - 1 October 2024			
Gross carrying amount	7,290,063	662,396	7,952,459
Accumulated depreciation and impairment	(2,294,548)	(241,494)	(2,536,042)
Net carrying amount	**4,995,515**	**420,902**	**5,416,417**
Period ended 30 June 2025			
Net carrying amount at beginning of period	-	-	-
Assets transferred in from administrative restructure	4,995,515	420,902	5,416,417
Additions[2]	7,710	24,951	32,661
Disposals	(1,242)	(1,604)	(2,846)
Net change in revaluation surplus of property, plant and equipment	282,475	-	282,475
Transfers (to)/from intangible assets	-	658	658
Depreciation expense	(119,456)	(42,280)	(161,736)
Net carrying amount at end of period	**5,165,002**	**402,627**	**5,567,629**
At 30 June 2025 - fair value			
Gross carrying amount	7,721,240	679,042	8,400,282
Accumulated depreciation and impairment	(2,556,238)	(276,415)	(2,832,653)
Net carrying amount	**5,165,002**	**402,627**	**5,567,629**

All of the property, plant and equipment as at 30 June 2025 are held and used by CSNSW.

Service Concession Assets

The assets transferred in from administrative restructure on 1 October 2024 includes a net carrying amount of service concession assets (SCAs) comprising of land and buildings of $1,265.0 million and plant and equipment of $162.0 million.

As at 30 June 2025, the net carrying amount of SCAs included in land and buildings is $967.4 million and plant and equipment is $147.2 million.

The Service Concession Arrangement of Junee Correction Centre expired on 31 March 2025. As a result, $345.7 million have been reclassified from SCAs (AASB 1059) to land, infrastructure and buildings (under AASB 116). Other decreases in asset value in 2024-25 include depreciation of $36.3 million and disposal of $0.3 million. These decreases were offset by an increase of $1.5 million in additions and a $68.4 million from revaluation of land and buildings.

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 12.

Asset under Construction/ Works in Progress

Land and buildings comprise land and buildings and related work in progress. Plant and equipment comprises of computer equipment, furniture and fittings, plant, equipment, make-good assets, leasehold improvements, voice communications, data communications and work in progress. The value of works in progress relating to land and buildings and plant and equipment is $105.0 million at 30 June 2025.

[2] Additions are net of transfers between asset groups of land and buildings and plant and equipment upon completion of work in progress during the year.

9. Property, plant and equipment (cont'd)

Recognition and measurement

Heritage Collection Assets

CSNSW owns various heritage collection assets. The current net book value of the heritage collection assets in 2024-25 is $1.7 million. The heritage collection is valued by an independent valuer once in every 5 years with the last valuation completed as at 31 March 2023 (previously CSNSW branch of DCJ) in accordance with the Accounting Standards and NSW Treasury policies. The next comprehensive revaluation will be at 31 March 2028. CSNSW has recorded the heritage collection assets in the fixed asset register as non-depreciable assets under the Plant and Equipment asset class. Impairment of these assets will be assessed every five years based on an independent valuer's certificate.

Acquisition of property, plant and equipment

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

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 over the period of credit).

Capitalisation thresholds

Property, plant and equipment and intangible assets costing $5,000 and above individually are capitalised.

When property, plant and equipment and intangible assets form part of a network, the cost of individual assets comprising the network are aggregated when applying the capitalisation threshold of $5,000 or more. Once the $5,000 capitalisation threshold is reached, further asset acquisitions that form part of the network are capitalised regardless of the amount.

Revaluation of property, plant and equipment

Physical non-current assets are valued in accordance with the '*Valuation of Physical Non-Current Assets at Fair Value'* Policy and Guidelines Paper (TPP 21-09) and Treasurer's Direction '*Valuation of Physical Non-Current Assets at Fair Value'* (TD21-05). TD21-05 and TPP21-09 adopt 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 socio-political restrictions imposed by government. In most cases, after taking into account these considerations, the highest and best use is the existing use.

AASB 2022-10 *Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities* (AASB 2022-10) applies to annual periods beginning on or after 1 January 2024. AASB 2022-10 amends AASB 13 *Fair Value Measurement* (AASB 13). For non-financial assets of not-for-profit public sector entities that are not held primarily for their ability to generate net cash inflows, there is a rebuttable assumption that current use is highest and best use, unless the asset is classified as held for sale in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* or it is highly probable the asset will be used for an alternative purpose to its current use (AASB 13.Aus29.1 and Aus29.2).

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 12 for further information regarding fair value.

9. Property, plant and equipment (cont'd)

Recognition and measurement (cont'd)

Revaluation of property, plant and equipment

Revaluations are made with sufficient regularity to ensure the carrying amount of each asset in the class does not differ materially from its fair value at reporting date. CSNSW conducts a comprehensive revaluation at least every three years for its land and buildings (where the market, income or cost approach is the most appropriate valuation technique) and at least every five years for other classes of property, plant and equipment. A comprehensive revaluation of CSNSW's (previously CSNSW branch of DCJ) land, building and infrastructure assets was completed as at 31 March 2024 by a qualified independent valuer.

Where there has been a movement in indicators greater than 20% during the interval years (between the comprehensive revaluation years) and where CSNSW's interim revaluation demonstrates that fair value differs materially from carrying amount, the related asset must be revalued with the results of the revaluation recognised in the financial statements. Consideration must be given as to whether comprehensive revaluations are required more frequently. CSNSW needs to comprehensively revalue a class of assets more frequently where the assets are subject to significant and frequent movements in fair value. This decision must be made in conjunction with, or subject to the review of, an external professionally qualified valuer.

Non-specialised assets with short useful lives are measured at depreciated historical cost, which for these assets approximates fair value. CSNSW 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. Where the income approach or market approach is used, accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

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 recognised in other comprehensive income and credited to revaluation surplus in equity. However, to the extent an increment reverses a revaluation decrement in respect of the same class of asset previously recognised as a loss in the net result, the increment is recognised immediately as a gain in the net result.

Revaluation decrements are recognised immediately as a loss in the net result, except to the extent that it offsets an existing revaluation surplus on the same class of assets, in which case the decrement is debited directly to the revaluation surplus.

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 and is disposed of, any balance remaining in the asset revaluation surplus in respect of that asset is transferred to accumulated funds.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end.

Right-of-Use Assets acquired by lessees

AASB 16 *Leases* (AASB 16) requires a lessee to recognise a right-of-use asset for most leases. CSNSW has elected to present right-of-use assets separately in the Statement of Financial Position.

Further information on leases is contained at Note 10.

9. Property, plant and equipment (cont'd)

Recognition and measurement (cont'd)

Service concession assets

Service concession arrangements are contracts between a grantor and an operator where an operator provides public services related to a service concession asset on behalf of a public sector grantor for a specified period of time and manages at least some of those services.

Based on CSNSW's assessment, the following arrangements fall in the scope of AASB 1059 *Service Concession Arrangements: Grantor* (AASB 1059).

Description	Clarence Correctional Centre	Parklea and Junee Correctional Centre
Name & description of the service concession assets (SCAs)	The service concession arrangement involves an external operator provided with discretionary responsibility to maintain and operate the centre, as an integral part of CSNSW, for periods as stated below. The Clarence Correctional Centre (CCC) Building was constructed by the external operator. It was completed and ready for use on 1 July 2020. It is financed through an external operator over the period of the arrangement. The CCC land is an existing asset of CSNSW (previously CSNSW branch of DCJ) prior to 1 July 2019 and was fully paid via capital appropriation fund. Commencing 1 July 2020, the external operator is paid an agreed fixed monthly managed service and operational fees until the contractual end date. The operational fees paid to the external operator are for rendering services, for instance essential corrective services, escort services, onsite health facilitation services, secured corrective centre asset maintenance and facilities services, rehabilitative educational and training services.	The service concession arrangements for Parklea and Junee Correctional Centre owned by CSNSW are operated by an external operator and is provided with discretionary responsibility to maintain and operate the centre, as an integral part of CSNSW, for periods as stated below. The Correctional Centres are existing assets of CSNSW (previously CSNSW branch of DCJ) prior to 1 July 2019. Any subsequent major building construction were fully paid via capital appropriation fund and therefore no financing liability is recorded. The external operators are paid agreed fixed monthly managed service and operational fees since contract commencement date. The managed operational fees paid to the external operators are for rendering services, for instance essential corrective services, escort services, onsite health facilitation services, secured corrective centre asset maintenance and facilities services, rehabilitative educational and training services.
Period of the arrangement	1 July 2020 to 30 June 2040	Parklea: 31 March 2019 to 31 March 2026 Junee: 1 April 2019 to 31 March 2024, the period was extended and subsequently ended on 31 March 2025.
Terms of the arrangement	Under the project deed arrangement, CSNSW is obligated to make the following payments:	Under the project deed arrangement, CSNSW is obligated to pay ongoing services payments and asset maintenance fees.

9. Property, plant and equipment (cont'd)

Recognition and measurement (cont'd)

Service concession assets (cont'd)

Description	Clarence Correctional Centre	Parklea and Junee Correctional Centre
Terms of the arrangement (cont'd)	- Ongoing Service Payments and asset maintenance fees, including transitional one-off fixed fee, interest and debt repayment. - The fixed regular loan repayment terms includes conditional escalation repayment amount due for repayment between 1 July 2022 to 30 June 2024. - The external operator has a forecasted floating interest rate on the loan repayment, ranging between 2.48% to 3.62% per annum up to the expiration date of CSNSW's contract with the external operator on 30 June 2040. The external operator had hedged their forecasted floating interest rate until 16 July 2022. - After the expiration of their hedge, CSNSW was exposed to the movements in interest rates subsequent to that date. Therefore, CSNSW (previously DCJ) has entered into a fifteen-year interest rate swap to hedge its interest rate exposure against the $307 million debt held by the external party as of 16 January 2024. The swap rate was effective from 16 January 2024 at fixed rate of 4.309% against 3 months Bank Bill Swap Rate (BBSW) plus 5bps spread. The interest rate swap is a derivative not designated in an accounting hedge relationship and therefore the interest rate swap will subsequently be measured at fair value through profit or loss. Refer to Note 15 for further details.	
Rights and obligations	There is no early termination or option period after the contractual end date stated above. CSNSW has accounting control over the site and has provided site access to the external operator to operate. Following the contractual end date, CSNSW continues to own the assets managed by the external operator.	There is no early termination or option period after the contractual end date stated above. CSNSW has accounting control over the site and has provided site access to the external operator to operate. Following the contractual end date, CSNSW continues to own the assets managed by the external operator.
The carrying amount of SCAs and service concession liabilities (SCLs) as at 30 June 2025	$729.7 million (SCAs) and $666.2 million (SCLs)	Parklea: $384.9 million (SCAs) Junee: Nil. $345.7 million (SCAs) have been reclassified from SCAs to land, infrastructure and buildings (under AASB 116) effective 1 April 2025.

9. Property, plant and equipment (cont'd)

Recognition and measurement (cont'd)

Service concession assets (cont'd)

(i) Initial recognition

For arrangements within the scope of AASB 1059, CSNSW recognises a service concession asset when it controls the asset. Where the asset is provided by the operator or is an upgrade to or a major component replacement of an existing asset of CSNSW the asset is recognised at current replacement cost based on AASB 13 *Fair Value Measurement* (AASB 13) principles.

Where the asset is an existing asset of CSNSW, the asset is reclassified as a service concession asset and remeasured at current replacement cost at the date of reclassification. Any difference between the previous carrying amount and current replacement cost is recognised as if it is a revaluation of the asset.

(ii) Subsequent to initial recognition

Subsequent to the initial recognition or reclassification, the service concession asset is measured at current replacement cost and accounted for in accordance with the depreciation and impairment requirements of AASB 116 *Property, Plant and Equipment* (AASB 116), AASB 138 *Intangible Assets* (AASB 138) and AASB 136 *Impairment of Assets* (AASB 136).

(iii) At the end of the arrangement

At the end of the service concession arrangement:

- CSNSW accounts for the asset in accordance with other AAS, with CSNSW reclassifying the asset based on its nature or function;
- reference to fair value reverts from the mandated current replacement cost under AASB 1059 to the appropriate approach under AASB 13; and
- the asset is only derecognised when CSNSW loses control of the asset in accordance with AASB 116.

Impairment of property, plant and equipment

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

CSNSW 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, CSNSW estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

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.

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

De-recognition of property, plant and equipment

Property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset and are included in the Statement of Comprehensive Income.

9. Property, plant and equipment (cont'd)

Recognition and measurement (cont'd)

Depreciation of property, plant and equipment

Depreciation is provided for on a straight-line basis so as to write off the depreciable amount of each asset as it is consumed over its useful life to CSNSW.

All material identifiable components of assets are depreciated over their useful lives. Land and heritage collection assets are not depreciable.

Heritage assets including original artworks, collections and furniture items 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.

The estimated useful lives of CSNSW's depreciable assets used for each class of assets are as follows:

Asset Class	**Estimated Useful Life**	**Depreciation Rate**
Land	Infinite	Not depreciated
Buildings and Infrastructure	10 to 50 years	2% to 10%
Plant, furniture, motor vehicles and equipment - general and commercial	4 to 10 years	10% to 25%
Plant, furniture and equipment - industrial	20 years	5%
Leasehold improvements	Shorter of estimated useful life or term of lease	

Major inspection costs

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

Restoration costs

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

10. Leases

As a Lessee

CSNSW leases various properties (office accommodation), equipment and motor vehicles. Lease contracts are typically made for fixed periods of 1 to 15 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. CSNSW does not provide residual value guarantees in relation to leases.

In addition, CSNSW also has the following finance lease arrangement where CSNSW is a lessee:

(i) Lease for the Long Bay Forensic and Prison Hospitals at Long Bay under a Project Deed.

In 2006-07, the former Department of Corrective Services engaged a private sector company, PPP Solutions (Long Bay) Pty Limited, to finance, design, construct and maintain the Long Bay Forensic and Prison Hospitals at Long Bay under a Project Deed. The asset was delivered via finance lease. CSNSW recognises a finance lease liability for the duration of the term until May 2034. The lessor has a floating interest rate on its external loan repayment, up to the expiration date of CSNSW's contract with the lessor on 30 June 2033. Therefore, CSNSW has entered into a nine-year interest rate swap to hedge its interest rate exposure against the $35.6 million debt held by the external party as of 31 March 2025. The swap rate was effective from 31 March 2025 at fixed rate of 3.986% against 3 months Bank Bill Swap Rate (BBSW) plus 5bps spread. The interest rate swap is a derivative not designated in an accounting hedge relationship and therefore the interest rate swap will subsequently be measured at fair value through profit or loss. Refer to Note 15 for further details.

Extension and termination options are included in a number of property and equipment leases. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by CSNSW and not by the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows of $Nil have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. During the current financial period, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options resulted in changes to lease liabilities and right-of-use assets of $Nil.

AASB 16 *Leases* (AASB 16) requires a lessee to recognise a right-of-use asset and a corresponding lease liability for most leases.

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

Office accommodation arrangements with Property and Development NSW (PDNSW) has a "substitution right" clause, that gives PDNSW a right to relocate CSNSW during the term of the agreement. Therefore, these agreements are not accounted for as a lease within the scope of AASB 16. This involves judgment that the "substitution right" clause in the agreement provides PDNSW with a substantive substitution right. Management judgments include an assessment that PDNSW can obtain benefits from exercising the substitution right through efficiencies in office accommodation at the whole-of-government level and/or its other service objectives. It is also considered practical for PDNSW to exercise the substitution right, due to the non-specialised nature of the relevant office accommodation. The accommodation charges are recognised as expenses when incurred over the agreement duration.

CSNSW is responsible to make good the accommodation, and to control the fit-out during the remaining occupancy period, as CSNSW receives the economic benefits through using the fit-out, or through expected compensation from PDNSW, if PDNSW exercises its right to relocate CSNSW. Therefore, CSNSW's accounting treatment for its make-good provisions and fit-out costs in relation to the relevant accommodation is the same as for other AASB 16 leases. Refer to Note 16(iv) for further details.

10. Leases (cont'd)

As a Lessee (cont'd)

Right-of-use assets under leases

The following table presents right-of-use assets that do not meet the definition of investment property.

	Land and buildings $'000	Plant and equipment $'000	Total $'000
Balance at 1 October 2024	-	-	-
Right-of-use assets transferred in from administrative restructure	60,761	10,369	71,130
Additions	22	6,279	6,301
Depreciation expense	(1,299)	(4,459)	(5,758)
Lease modifications	-	698	698
Disposal	(54)	(218)	(272)
Balance at 30 June 2025	**59,430**	**12,669**	**72,099**

Lease liabilities

The following table presents liabilities under leases:

	2025 $'000
Balance at 1 October 2024	**-**
Lease liabilities transferred in from administrative restructure	**52,827**
Additions	**6,300**
Interest expenses	**1,350**
Payments	**(8,236)**
Disposal	**(275)**
Lease modifications	**700**
Other principal and interest adjustment*	**(4,729)**
Balance at 30 June 2025	**47,937**

*The liability balance has been adjusted to reflect the correct amount as of 30 June 2025, with a reduction of $4.7 million recorded in the current reporting period.

The following amounts were recognised in the statement of comprehensive income during the period in respect of leases where CSNSW is the lessee:

	2025 $'000
Depreciation expense of right-of-use assets	**5,758**
Interest expense on lease liabilities	**1,350**
Expense relating to short-term leases	**645**
Total amount recognised in the statement of comprehensive income	**7,753**

CSNSW had total cash outflows for leases of $6.1 million in 2024-25.

Recognition and measurement

CSNSW assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

CSNSW recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets, except for short-term leases and leases of low-value assets.

(i) Right-of-use assets

CSNSW recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are initially measured at the amount of initial measurement of the lease liability

10. Leases (cont'd)

As a Lessee (cont'd)

Recognition and measurement (cont'd)

(i) Right-of-use assets (cont'd)

(refer to Note 10 (ii) below), adjusted by any lease payments made at or before the commencement date and lease incentives, any initial direct costs incurred, and estimated costs of dismantling and removing the asset or restoring the site.

The right-of-use assets are subsequently measured at cost. They are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- land and buildings: 1 to 32 years
- motor vehicles and other equipment: 1 to 5 years.

If ownership of the leased asset transfers to CSNSW at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the remaining estimated useful life of the asset.

The right-of-use assets are also subject to impairment. CSNSW 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, CSNSW 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. After an impairment loss has been recognised, it is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the net result.

(ii) Lease liabilities

At the commencement date of the lease, CSNSW recognises lease liabilities measured at the present value of lease payments relating to lease components to be made over the lease term. Lease payments include:

- fixed payments (including in substance fixed payments) less any lease incentives receivable
- variable lease payments that depend on an index or a rate if any
- payments of penalties for terminating the lease, if the lease term reflects the entity exercising the option to terminate if any.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for CSNSW's leases, CSNSW's incremental borrowing rate is used, being the rate that CSNSW would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. CSNSW uses T-Corp rates issued by NSW Treasury as its incremental borrowing rate.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

CSNSW's lease liabilities are included in borrowings.

(iii) Short-term leases and leases of low-value assets

CSNSW applies the short-term lease recognition exemption to its short-term leases of properties and motor vehicles (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets (less than $10,000) recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

11. Intangible assets

	Software $'000	Total $'000
Assets transferred from administrative restructure - 1 October 2024		
Cost (gross carrying amount)	27,574	27,574
Accumulated amortisation and impairment	(17,561)	(17,561)
Net carrying amount	**10,013**	**10,013**
Period ended 30 June 2025		
Net carrying amount at beginning of period	-	-
Intangible assets transferred in due to administrative restructure	10,013	10,013
Additions	-	-
Transfer (to)/from property, plant and equipment	(658)	(658)
Disposals	-	-
Amortisation expense	(2,030)	(2,030)
Net carrying amount at end of period	**7,325**	**7,325**
At 30 June 2025		
Cost (gross carrying amount)	26,916	26,916
Accumulated amortisation and impairment	(19,591)	(19,591)
Net carrying amount	**7,325**	**7,325**

Recognition and measurement

CSNSW recognises intangible assets only if it is probable that future economic benefits will flow to CSNSW 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.

Following initial recognition, intangible assets are subsequently measured at fair value only if there is an active market. If there is no active market for CSNSW's intangible assets, the assets are carried at cost less any accumulated amortisation and impairment losses. 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. CSNSW's intangible assets are amortised using the straight-line method over a period of three to ten years. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

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

Software-as-a-Service (SaaS) arrangements

SaaS arrangements are service contracts providing CSNSW with the right to access the cloud provider's application software over the contract period. As such CSNSW does not receive a software intangible asset at the contract commencement date. A right to receive future access to the supplier's software does not, at the contract commencement date, give the customer the power to obtain the future economic benefits flowing from the software itself and to restrict others' access to those benefits.

Costs incurred for the development of software code that enhances or modifies, or creates additional capability to, existing on-premise systems and meets the definition of and recognition criteria for an intangible asset are recognised as intangible software assets.

Determination whether configuration and customisation services are distinct from the SaaS access

Implementation costs including costs to configure or customise the cloud provider's application software are recognised as operating expenses when the services are received.

11. Intangible assets (cont'd)

Recognition and measurement (cont'd)

Software-as-a-Service (SaaS) arrangements (cont'd)

Where the SaaS arrangement supplier provides both configuration and customisation services, judgement has been applied to determine whether each of these services are distinct or not from the underlying use of the SaaS application software. Distinct configuration and customisation costs are expensed as incurred as the software is configured or customised (i.e. upfront). Non-distinct configuration and customisation costs are expensed over the SaaS contract term.

Non-distinct customisation activities significantly enhance or modify a SaaS cloud-based application. Judgement has been applied in determining whether the degree of customisation and modification of the SaaS cloud-based application is significant or not.

During the period, CSNSW recognised $Nil as prepayments in respect of configuration and customisation activities undertaken in implementing SaaS arrangements which are considered not to be distinct from the access to the SaaS application software over the contract term.

12. Fair value measurement of non-financial assets

Fair value measurement and hierarchy

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

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

- Level 1 – quoted (unadjusted) prices in active markets for identical assets / liabilities that CSNSW 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).

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

(a) Fair value hierarchy

2025	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total fair value $'000
Property, plant and equipment (Note 9)				
Land and buildings	-	8,360	5,139,552	5,147,912
Plant and equipment	-	1,747	-	1,747
Total Fair value measurement of non-financial assets	**-**	**10,107**	**5,139,552**	**5,149,659**

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

(b) Valuation techniques, inputs and processes

A comprehensive revaluation of all CSNSW's properties has been performed by an external professionally qualified valuer as at 31 March 2024. A full valuation is conducted every three years. During the intervening periods, relevant indexation factors are used as an estimate of fair value.

The assets valued under level 2 inputs are valued using the market approach, due to the availability of market transactions and observable prices for similar assets. Valuers have considered matters such as zoning, location, topography, aspect, frontage, size, shape, date of valuation and current market sentiment in determining the values. These values largely relate to all land assets and the majority of "buy/modify" building assets for which comparable values are available.

The assets valued under level 3 inputs are specialised assets which have been valued using the cost approach which is based on replacing the "service capacity" of the asset. These specialised assets are either:

- highly modified buildings which are significantly modified for purpose of correctional centre and the replacement costs are based on actual costs incurred by CSNSW
- correctional centres and residences in the correctional centre premises where depreciated replacement cost is used due to highly specialised nature of the buildings and lack of market evidence.

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

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

Refer to table of valuation techniques, inputs and processes in the table below.

Asset Class	Level	Valuation technique	Inputs	Process
Land – Stand-alone residences	2	Market Approach	Observable inputs - recent sales considering matters such as zoning, location, topography, aspect, frontage, size, shape, date of valuation and current market sentiment.	Direct comparison approach against recent sales considering matters such as zoning, location, topography, aspect, frontage, size, shape, date of valuation and current market sentiment.
Land – Specialised	3	Market Approach	Observable Inputs - these land assets are valued using market evidence, (that is, based on a market selling price), with adjustments for varying characteristics including zoning, shape, flood and bushfire affectation, condition, location, comparability. Unobservable inputs - specialised buildings are located on the land and as Land and building are considered as one complete asset, these assets are measured at level 3.	The Direct Comparison Method has been utilised as the primary method of valuation. In this approach, the relative merits of the subject property and each of the sales are analysed and compared, having regard to matters such as location, aspect, topography, size of land, shape of land, size and quality of the improvements, features and condition of the improvements and current market sentiment.
Buildings – (i) Standalone residences	2	Market Approach	Observable inputs - recent sales of comparable properties with adjustment for condition, location, comparability etc.	Visual inspection of the properties and assessment against recent sales of comparable properties with adjustment for condition, location, comparability etc.
Buildings – Specialised	3	Cost Approach	Unobservable inputs: market data are not available and are developed using the best information available about the assumptions that market participants would use when pricing such assets. Observable inputs - actual construction costs are used for these purpose built and significantly modified buildings.	Specialised buildings are assessed at depreciated replacement cost, due to lack of market evidence. Construction costs are checked against the latest Rawlinson's Construction Handbook, Australian Bureau Statistics and external valuer's quantity surveyor. In arriving at the rates to be used in valuing specialised buildings, an allowance has been made for professional fees, contingency, market movement, regional location and their specialised nature. The external valuers have also applied an allowance on top of the rates to take into account the heritage nature of some buildings.
Plant and Equipment – Heritage assets	2	Market Approach	Observable inputs – market selling prices are used for heritage assets that are marketable.	Sample based inspection for various assets in conjunction with market evidence was used for valuation.

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

(c) Reconciliation of recurring Level 3 fair value measurements

	Land and Buildings $'000	Total $'000
Fair value as at 1 October 2024	-	-
Assets transferred from administrative restructure	4,972,520	4,972,520
Additions	4,567	4,567
Net change in revaluation surplus of property, plant and equipment recognised in other comprehensive income	281,264	281,264
Disposals	(30)	(30)
Depreciation expense	(118,769)	(118,769)
Fair value as at 30 June 2025	**5,139,552**	**5,139,552**

13. Payables

	2025 $'000
Current	
Accrued capital expenditure	**1,188**
Accrued operating expenditure	**82,829**
Accrued salaries, wages and on-costs	**64,822**
Creditors	**47,652**
Total payables	**196,491**

Details regarding liquidity risk, including a maturity analysis of the above payables, are disclosed in Note 21.

Recognition and measurement

Payables

Payables represent liabilities for goods and services provided to CSNSW and other amounts. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

Payables are financial liabilities at amortised cost, initially measured at fair value, net of directly attributable transaction costs. These are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in net result when the liabilities are derecognised as well as through the amortisation process.

14. Borrowings

	2025 $'000
Current borrowings	
Lease liabilities (refer Note 10)	**8,800**
Service concession financial liabilities[4]	**34,135**
	42,935
Non-current borrowings	
Lease liabilities (refer Note 10)	**39,137**
Service concession financial liabilities[4]	**632,095**
	671,232

Changes in liabilities arising from financing activities

	Leases $'000	Service Concession Arrangements $'000	Total liabilities from financing activities $'000
Balance at 1 October 2024	-	-	-
Increase in liabilities from administrative restructure	52,827	691,039	743,866
Cash flows	(8,236)	(41,379)	(49,615)
New leases	6,300	-	6,300
Finance charges	1,350	16,570	17,920
Disposal of right-of-use liabilities	(275)	-	(275)
Other movements	(4,029)	-	(4,029)
Balance at 30 June 2025	**47,937**	**666,230**	**714,167**

Details regarding liquidity risk including a maturity analysis of the above borrowings are disclosed in Note 21.

Recognition and measurement

Borrowings represent interest bearing liabilities mainly raised through lease liabilities and service concession arrangement liabilities.

Financial liabilities at amortised cost

Borrowings classified as financial liabilities at amortised cost are initially measured at fair value, net of directly attributable transaction costs. These are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in net result when the liabilities are derecognised as well as through the amortisation process.

Financial Guarantee

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value, being the premium received. Subsequent to initial recognition, CSNSW's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation, and an expected credit loss provision.

CSNSW has reviewed its financial guarantees and determined that there is no material liability to be recognised for financial guarantee contracts as at 30 June 2025. Refer to Note 19 regarding disclosures on Contingent liabilities.

[4] This relates to contractual payments to the operator. Refer to Note 9 for further details on CSNSW's service concession arrangements.

15. Derivative liabilities

	2025 $'000
Derivatives	
Interest rate swaps	**8,184**
Non-current - derivative liabilities at fair value	**8,184**

Refer to Note 21 for further information regarding fair value measurement, credit risk, and market risk arising from financial instruments.

As part of the administrative restructure on 1 October 2024, interest rate swap with NSW TCorp related to Clarence Correctional Centre's service concession payments was transferred in as a derivative liability from DCJ. Refer to Notes 9 and 17(i) for further details.

In addition, CSNSW entered into an arrangement in 2025 with NSW TCorp to mitigate exposure to changes in interest rates arising from contractual payments to be made to an external operator under the finance lease arrangement for Long Bay Prison Hospital. Refer to Note 10 for further details.

Recognition and Measurement

Financial liabilities at fair value through profit or loss

CSNSW recognises a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument. To determine when CSNSW becomes a party to the contractual provisions of the instrument, CSNSW considers:

- Whether the entity has a legal right to receive cash (financial asset) or a legal obligation to pay cash (financial liability); or
- Whether at least one of the parties has performed under the agreement.

CSNSW's financial liabilities at fair value are classified, at initial recognition, as subsequently measured at fair value through profit or loss.

Transaction costs of financial liabilities carried at fair value through profit or loss are expensed in net results.

Financial liabilities at fair value through profit or loss include financial liabilities held for trading, financial liabilities designated upon initial recognition at fair value through profit or loss, or financial liabilities mandatorily required to be measured at fair value under AASB 9.

Financial liabilities are held for trading if acquired for the purpose of selling or repurchasing in the near term.

Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. The interest rate swaps are not designated in an accounting hedge relationship.

The interest rate swap derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The change in fair value of the derivative financial assets or liabilities are recognised in net results and presented net within other gains/(losses).

16. Provisions

	2025 $'000
Current	
Employee benefits and related on-costs	
Sundays and public holidays	**4,209**
Parental Leave	**7,226**
Annual leave*	**172,906**
Long service leave**	**46,040**
Total current employee benefits and related on-costs	**230,381**
*Current annual leave obligations expected to be settled after 12 months	27,882
**Current long service leave obligations expected to be settled after 12 months	39,767
	67,649
Other Provisions	
Restoration costs	**1,728**
Total current other provisions	**1,728**
Total current provisions	**232,109**
Non-current	
Employee benefits and related on-costs	
Long service leave	**5,115**
Total non-current employee benefits and related on-costs	**5,115**
Other Provisions	
Restoration costs	**2,975**
Total non-current other provisions	**2,975**
Total non-current provisions	**8,090**

	2025 $'000
Aggregate employee benefits and related on-costs	
Provisions	**235,496**
Accrued salaries, wages and on-costs (Note 13)	**64,822**
	300,318

Movements in provisions (other than employee benefits)

	Restoration costs $'000
Carrying amount at 1 October 2024	**-**
Provision transferred in from administrative restructure	4,834
Additional provision recognised	470
Amounts used	(10)
Unused amounts reversed	(884)
Unwinding/change in the discount rate	41
Change in experience and actuarial assumptions	-
Other movements	252
Carrying amount at 30 June 2025	**4,703**

16. Provisions (cont'd)

Recognition and measurement

Employee benefits and related on-costs

(i) Salaries and wages, annual leave and sick leave

Salaries and wages (including non-monetary benefits) and paid sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the service are recognised and measured at the undiscounted amounts of the benefits.

Annual leave is not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. As such, it is required to be measured at present value in accordance with AASB 119 *Employee Benefits* (although short-cut methods are permitted).

Actuarial advice obtained by Treasury has confirmed that using the nominal annual leave balance plus the annual leave entitlements accrued while taking annual leave (calculated using 8.4% of the nominal value of annual leave) can be used to approximate the present value of the annual leave liability. CSNSW has assessed the actuarial advice based on CSNSW's circumstances and has determined that the effect of discounting is immaterial to annual leave. All annual leave is classified as a current liability even where CSNSW does not expect to settle the liability within 12 months as CSNSW does not have the right at the end of the reporting period to defer settlement for at least 12 months after the reporting period.

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

(ii) Long service leave

Long service leave - assumed by the Crown

CSNSW's liabilities for long service leave are assumed by Crown.

CSNSW accounts for the liability as having been extinguished, resulting in the amount assumed being shown as part of the non-monetary revenue item described as 'Acceptance by the Crown of Employee Benefits and Other Liabilities'.

Long service leave is measured at present value of expected future payments to be made in respect of services provided up to the reporting date. Consideration is given to certain factors based on actuarial review, including expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using Commonwealth government bond rate at the reporting date.

(iii) Superannuation

Superannuation Liabilities Assumed by Crown

CSNSW's liabilities for defined benefit superannuation are assumed by Crown. CSNSW accounts for the liability as having been extinguished, resulting in the amount assumed being shown as part of the non-monetary revenue item described as 'Acceptance by the Crown of employee benefits and other liabilities'.

The superannuation expense for the financial period is determined by using the formulae specified in the Treasurer's Directions. The expense for defined contribution superannuation schemes (that is, Basic Benefit and Aware Super (formerly known as First State Super)) is calculated as a percentage of the employees' salary. For defined benefit superannuation schemes (that is, State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions.

16. Provisions (cont'd)

Recognition and measurement (cont'd)

Employee benefits and related on-costs (cont'd)

(iii) Consequential on-costs

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

(iv) Other provisions

Provisions are recognised when CSNSW has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. When CSNSW expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented net of any reimbursement in the Statement of Comprehensive Income.

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

If the effect of the time value of money is material, provisions are discounted at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time (i.e. unwinding of discount rate) is recognised as a finance cost.

Other provisions include restoration costs on leased office premises. Restoration costs represent estimated costs that CSNSW is obliged to incur to restore premises to an acceptable condition as agreed with the owners of the premises, upon expiry of operating lease arrangements. The amount and timing of each estimate is reassessed annually. In the majority of cases, the rates are not explicitly mentioned in the lease agreement and hence the provision is calculated by using a standard restoration rate per square metre, which is then discounted to present value using the appropriate government bond rate. The provisions are established by individual lease and amortised over the term of the lease. The unamortised value of the obligation is recorded as an asset.

17. Increase in net assets from equity transfers

As per the *Administrative Arrangements (Administrative Changes- Corrective Services NSW) Order 2024*, the Corrective Services NSW branch of DCJ, other than the Professional Standards and Investigations division of the branch, is transferred to CSNSW as a newly established Public Service Agency effective from 1 October 2024.

Refer to Note 1(a) for details of the administrative restructure.

(i) The following statement discloses the assets and liabilities transferred from DCJ to CSNSW:

	Total Transfer from DCJ to CSNSW $'000
Assets	
Current Assets	
Cash and cash equivalents	79,843
Receivables	187,817
Inventories	22,051
Total current assets	**289,711**
Non-current assets	
Land and buildings	4,995,515
Plant and equipment	420,902
Right-of-use assets	71,130
Intangible assets	10,013
Total non-current assets	**5,497,560**
Total Assets	**5,787,271**
Liabilities	
Current Liabilities	
Payables	116,080
Borrowings	40,106
Provisions	236,902
Other current liabilities	750
Total current liabilities	**393,838**
Non-current Liabilities	
Borrowings	703,760
Derivative liabilities	6,329
Provisions	3,760
Total non-current liabilities	**713,849**
Total Liabilities	**1,107,687**
Net Assets	**4,679,584**

CSNSW continued to receive corporate and specialist support from DCJ after 1 October 2024 as part of a transitional arrangement, with DCJ's corporate services budget appropriation incorporating an estimated direct and indirect cost of between $236 million and $261 million for delivering these services.

17. Increase in net assets from equity transfers (cont'd)

(ii) Comparative information

The Statement of Comprehensive Income for 12 months FY2024-25 and FY2023-24 for the transferred activities:

	CSNSW	CSNSW branch of DCJ	Total	CSNSW branch of DCJ
	1 October 2024 to 30 June 2025	1 July 2024 to 30 September 2024	1 July 2024 to 30 June 2025	1 July 2023 to 30 June 2024
	$'000	$'000	$'000	$'000
Expenses excluding losses				
Employee related expenses	1,157,647	361,961	1,519,608	1,429,589
Operating expenses	456,702	141,186	597,888	597,306
Depreciation and amortisation	169,524	54,897	224,421	216,523
Grants and subsidies	9,119	1,544	10,663	4,732
Finance costs	17,961	6,594	19,826	27,217
Total expenses excluding losses	**1,810,953**	**566,182**	**2,372,406**	**2,275,367**
Revenue				
Appropriation*	-	700,000	700,000	640,000
Sale of goods and services from contracts with customers	84,855	21,887	106,742	93,886
Investment revenue	424	118	542	527
Grants and other contributions	1,434,920	859	1,435,779	2,409
Acceptance by the Crown of employee benefits and other liabilities	36,615	8,086	44,701	64,990
Other income	8,092	685	4,048	4,320
Total revenue	**1,564,906**	**731,635**	**2,291,812**	**806,132**
Operating result	**(246,047)**	**165,453**	**(80,594)**	**(1,469,235)**
Losses on disposal	(1,516)	(14,142)	(15,658)	(11,460)
Impairment reversals/(losses) on financial assets	(1,652)	-	(1,652)	(1,378)
Other gains/(losses)	(1,539)	(8,920)	(10,459)	2,344
Net result	**(250,754)**	**142,391**	**(108,363)**	**(1,479,729)**

*CSNSW's Appropriations drawdown for FY2023-24 excludes the drawdown related to CSNSW's employee salary, wages and associated costs, as these payments were made directly by DCJ. CSNSW, when it was a branch of DCJ, received funding from the Consolidated Fund in the form of Appropriation until 30 September 2024. From 1 October 2024, CSNSW, when it became a standalone entity, receives funding in the form of a portfolio grant from DCJ, which are recorded under Grants and other contributions.

17. Increase in net assets from equity transfers (cont'd)

Recognition and measurement

The transfer of net assets between agencies as a result of an administrative restructure, transfers of programs/functions and parts thereof between NSW public sector agencies are designated or required by Accounting Standards to be treated as contributions by owners and recognised as an adjustment to "Accumulated Funds". This treatment is consistent with AASB 1004 *Contributions* and Australian Interpretation 1038 *Contributions by Owners Made to Wholly- Owned Public Sector Entities*.

Transfers arising from an administrative restructure involving not-for-profit and for-profit government entities are recognised at the amount at which the assets and liabilities were recognised by the transferor immediately prior to the restructure. Subject to below, in most instances this will approximate fair value.

All other equity transfers are recognised at fair value, except for intangibles. Where an intangible has been recognised at (amortised) cost by the transferor because there is no active market, CSNSW recognises the asset at the transferor's carrying amount. Where the transferor is prohibited from recognising internally generated intangibles, CSNSW does not recognise that asset.

18. Commitments for expenditure

Capital Commitments

	2025 $'000
Aggregate capital expenditure for the acquisition of property, plant and equipment contracted for at reporting date and not provided for:	
Within one year	6,854
Later than one year and not later than five years	-
Later than five years	-
Total (including GST)	**6,854**

Input tax credits of $0.6 million which is expected to be recoverable from the Australian Taxation Office is included above.

19. Contingent liabilities and contingent assets

Contingent liabilities

Current litigation

Claims have been made against CSNSW, which if the claimant is successful, the legal costs, disbursements and financial settlements estimated to be $0.4 million will be met by CSNSW.

Various other claims totalling $10.0 million have also been made against CSNSW, which, if successful, would be met from the NSW Treasury Managed Fund and Solvency Fund.

Other Matters

There is a potential liability regarding the placement of forensic patients in the correctional facilities. Following a court decision in the case of the State of NSW v TD 2013 NSWCA32, the State and Corrective Services NSW are exposed to further claims for damages arising from non-compliance with the lawful orders of a Court or the Mental Health Review Tribunal. However, CSNSW is not aware of any outstanding claims as at 30 June 2025.

Contingent assets

CSNSW does not have any contingent assets as at 30 June 2025.

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

	2025 $'000
Reconciliation of cash flows from operating activities to net result as reported in the Statement of Comprehensive Income as follows:	
Net cash used in operating activities	156,332
Net loss on disposal of assets	(1,516)
Unrealised gains/(losses) on derivatives at fair value through profit or loss	(1,855)
Gains/(losses) on disposal of right-of-use assets	3
Impairment reversals/(losses) on financial assets	(1,652)
Depreciation and amortisation	(169,524)
Unwinding of discount	(41)
Write back of unused make good provision	(884)
Decrease/(Increase) in creditors	(78,473)
Decrease/(Increase) in provisions	1,388
Increase/(Decrease) in prepayments and other assets	(154,532)
Net result	**(250,754)**

21. Financial instruments

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

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

The Commissioner 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 CSNSW, to set risk limits and controls and to monitor risks. Compliance with policies is reviewed by CSNSW on a regular basis.

De-recognition of financial assets and financial liabilities

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

- CSNSW has transferred substantially all the risks and rewards of the asset; or
- CSNSW has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control.

When CSNSW has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

Where CSNSW has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset continues to be recognised to the extent of CSNSW’s continuing involvement in the asset. In that case, CSNSW also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that CSNSW has retained.

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

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

21. Financial instruments (cont'd)

(i) Financial instrument categories

Class: Financial Assets	Note	Category	$'000 Carrying Amount 2025
Cash and cash equivalents	6	Amortised cost	**174,338**
Receivables[5]	7	Amortised cost	**17,316**
			191,654

Class: Financial Liabilities			Carrying Amount 2025
Payables[6]	13	Financial liabilities measured at amortised cost	**187,054**
Derivatives- Interest rate swaps	15	Fair value through profit or loss	**8,184**
Service concession financial liabilities	14	Financial liabilities measured at amortised cost	**666,230**
Lease liabilities	14	Financial liabilities measured at amortised cost	**47,937**
			909,405

CSNSW determines the classification of its financial assets and liabilities after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

(ii) Derivatives

CSNSW only uses derivatives for hedging purposes and not as trading or speculative instruments.

CSNSW entered into fixed interest rate swap agreement with NSW TCorp to manage its floating interest rate risk exposure in relation to service concession and finance lease arrangement payments. This enables CSNSW to manage the underlying cash flow requirements with certainty.

The interest rate swaps are derivatives not designated in an accounting hedge relationship and therefore categorised as held for trading and presented in the Statement of Financial Position. This interest rate swaps are subsequently measured at fair value through profit or loss.

CSNSW held $8.2 million in derivative financial liabilities.

Further details on derivatives are provided in Note 15 which contains information about the methods and assumptions used in determining fair values of derivatives.

(iii) Credit Risk

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

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

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

[5] Excludes statutory receivables and prepayments (that is, not within scope of AASB 7 *Financial Instruments: Disclosures* (AASB 7)). Includes rental receivables.

[6] Excludes statutory payables and unearned revenue (that is, not within scope of AASB 7).

21. Financial instruments (cont'd)

(iii) Credit Risk (cont'd)

CSNSW considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, CSNSW may also consider a financial asset to be in default when internal or external information indicates CSNSW is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by CSNSW.

Cash and cash equivalents

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

Accounting policy for impairment of trade debtors and other financial assets

Receivables – trade receivables

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.

CSNSW applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables including rental receivables.

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

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

Trade receivables are written off when there is no reasonable expectation of recovery.

The loss allowance for trade receivables for the current and prior period was determined as follows:

Trade Receivables - Correctional Centres
2025

$'000	**Current**	**<30 days**	**30-60 days**	**61-90 days**	**>91 days**	**Total**
Expected credit loss rate	12.3%	28.0%	59.7%	100.0%	100.0%	
Estimated total gross carrying amount	**3,352**	**1,926**	**186**	**20**	**1,896**	**7,380**
Expected credit loss	**412**	**539**	**111**	**20**	**1,896**	**2,978**

Trade Receivables - Other
2025

$'000	**Current**	**<30 days**	**30-60 days**	**61-90 days**	**>91 days**	**Total**
Expected credit loss rate	12.9%	15.8%	54.5%	100.0%	100.0%	
Estimated total gross carrying amount	**217**	**171**	**134**	**276**	**1,052**	**1,850**
Expected credit loss	**28**	**27**	**73**	**276**	**1,052**	**1,456**

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

CSNSW is not materially exposed to concentrations of credit risk to a single debtor or group of debtors as at 30 June 2025.

21. Financial instruments (cont'd)

(iv) Liquidity Risk

Liquidity risk is the risk that CSNSW will be unable to meet its payment obligations when they fall due. CSNSW continuously manages risk through monitoring future cash flows, which coordinates the payment of creditors with cash inflows from the Crown and cash receipts from debtors. Liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW TPG25-04 *Government Faster Payment Terms Policy.* For small business suppliers, payment is made within 5 business days 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. Interest may be payable on late payments to small businesses on significantly late payments. For payments to other suppliers, the payment of simple interest is at the discretion of the Commissioner. The rates of interest applied were 12.36% per annum for the quarter ended 30 September, 12.38% per annum for the quarter ended 31 December, 12.42% for the quarter ended 31 March and 12.17% for the quarter ended 30 June 2025.

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

21. Financial instruments (cont'd)

The table below summarises the maturity profile of CSNSW's financial liabilities based on contractual undiscounted payments, together with the interest rate exposure.

Maturity Analysis and interest rate exposure of financial liabilities

2025	Weighted average effective interest rate	Interest rate exposure				Maturity dates		
		Nominal Amount	Fixed Interest Rate	Variable Interest Rate	Non-Interest Bearing	< 1 year	1-5 years	> 5 years
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
Payables:								
Accrued capital expenditure	-	1,188	-	-	1,188	1,188	-	-
Accrued operating expenditure	-	82,487	-	-	82,487	82,487	-	-
Accrued salaries, wages and on-costs	-	55,727	-	-	55,727	55,727	-	-
Creditors	-	47,652	-	-	47,652	47,652	-	-
Borrowings:								
Derivatives- Interest rate swaps	-	7,877	-	-	-	2,470	8,586	(3,179)
Service concession financial liabilities	2.42	862,902	-	862,902	-	57,527	230,107	575,268
Lease liabilities	6.52	60,053	60,053	-	-	11,659	31,652	16,742
		1,117,886	**60,053**	**862,902**	**187,054**	**258,710**	**270,345**	**588,831**

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

(v) 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. CSNSW's exposures to market risk are primarily through interest rate risk on CSNSW's borrowings. CSNSW has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which CSNSW 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 reporting date. The analysis assumes that all other variables remain constant.

(vi) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Exposure to interest rate risk arises primarily through CSNSW's interest-bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings and interest rate swap derivative, primarily with NSW TCorp. CSNSW's interest swap arrangement is not designated in an accounting hedge relationship and therefore is categorised as held for trading and subsequently measured at fair value through profit or loss.

21. Financial instruments (cont'd)

(vi) Interest Rate Risk (cont'd)

A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates (based on official RBA interest rate volatility over the last five years). The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates:

	2025 $'000 -1%	2025 $'000 +1%
Net result	**(1,743)**	**1,743**
Equity	**(1,743)**	**1,743**

(vii) Fair value measurement

i. Fair value compared to carrying amount

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.

CSNSW does not hold financial assets or financial liabilities where their fair values differ from carrying amount.

ii. Fair value recognised in the Statement of Financial Position

Management assessed that cash, trade receivables, trade payables, and other current liabilities approximate their fair values, largely due to the short-term maturities of these instruments.

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, CSNSW categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

- Level 1 – quoted (unadjusted) prices in active markets for identical assets / liabilities that the entity 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).

	2025			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial liabilities at fair value				
Derivatives - Interest rate swaps	**-**	**8,184**	**-**	**8,184**
	-	**8,184**	**-**	**8,184**

CSNSW has assessed the fair value of its financial instruments on the basis of inputs other than quoted prices within Level 1 that are observed directly or indirectly (i.e. Level 2).

The fair value of the interest rate swap derivative is based on market value of similar instruments at the reporting date.

There were no transfers between Level 1, 2 or 3 during the year. There were no changes in the valuation techniques during the period.

22. Trust Funds

CSNSW holds monies in trust, which represent funds belonging to inmates. Trust monies are held in public monies accounts on behalf of inmates. Interest earned is brought to account in the financial statements and used for the benefit of inmates. The following is a summary of the transactions in the trust account

	2025 $'000
Cash at the beginning of the financial period	**-**
Add: Transferred in from administrative restructure - 1 October 2024	**17,021**
Add: Receipts	**64,290**
Less: Expenditure	**(66,168)**
Cash balance at the end of the financial year	**15,143**

Recognition and measurement

CSNSW performs only a custodial role in respect of these monies, and because the monies cannot be used for the achievement of CSNSW's own objectives, these funds are not recognised in the financial statements.

CSNSW is liable for the monies it holds in trust.

23. Related party disclosures

CSNSW's key management personnel compensation is as follows:

	2025 $'000
Short-term employee benefits	**321**
Other long-term employee benefits	**11**
Post-employment benefits	**37**
Termination benefits	**-**
Total remuneration	**369**

CSNSW did not enter into any transactions with key management personnel, their close family members and controlled or jointly controlled entities thereof.

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

These transactions include:

- Long Service Leave and Defined Benefit Superannuation assumed by the Crown
- Transactions relating to the Treasury Banking System
- Employer contributions paid to Defined Benefit Superannuation funds
- Portfolio grants received from DCJ
- Payments into the Treasury Managed Fund for workers' compensation insurance and other insurances.

CSNSW did not have any related party transactions with the Portfolio Ministers during the financial period.

24. Events after the reporting period

CSNSW is not aware of any events since the end of the financial period that would materially affect the disclosures outlined in these financial statements.

End of audited financial statements



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