2015-2016

Annual Report





State Transit Authority of NSW

Audited Financial Statements for the year ended - 30 June 2016



INDEPENDENT AUDITOR'S REPORT

State Transit Authority of New South Wales

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the State Transit Authority of New South Wales (the Authority), which comprise the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 30 June 2016, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the Public Finance and Audit Act 1983 (PF&A Act) and the Public Finance and Audit Regulation 2015.

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

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

I am independent of the Authority in accordance with the auditor independence requirements of:

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

I have also fulfilled my other ethical responsibilities in accordance with the Code.

The PF&A Act further 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, but precluding the provision of non-audit services.

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

The Chief Executive Officer's Responsibility for the Financial Statements

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

In preparing the financial statements, the Chief Executive Officer must assess the Authority's ability to continue as a going concern unless the Authority will be dissolved by an Act of Parliament or otherwise cease operations. The assessment must include, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibility 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, and
- 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 further description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/Home.aspx. The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Authority 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.

Peter Barnes Director, Financial Audit Services

Myarms.

15 September 2016 SYDNEY Pursuant to section 41(C)(1B) and 41(C)(1C) of the Public Finance and Audit Act 1983, I declare that in my opinion:

- The accompanying financial statements exhibit a true and fair view of the financial position and transactions of the State Transit Authority of New South Wales as at 30 June 2016; and
- 2. The financial statements have been prepared in accordance with the provisions of the Australian Accounting Standards which includes Australian Accounting Interpretations, the Public Finance and Audit Act 1983, Public Finance and Audit Regulation 2015 and the Treasurer's Directions.

Further, at the date of this statement, I am not aware of any circumstances that would render the particulars included in the financial statements to be misleading or inaccurate.

Peter Rowley

CHIEF EXECUTIVE OFFICER

DATED - 12 September 2016

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State Transit Authority of NSW Statement of comprehensive income For the year ended 30 June 2016

	Note	2016 \$'000	2015 \$'000
Revenue Operational revenue Other income Total revenue	2	603,423 69,171 672,594	590,916 69,789 660,705
Expenses Fleet running expenses Personnel services Depreciation and amortisation Finance costs General operating expenses Total expenses	3 4 5	(99,405) (486,423) (18,767) (9,840) (87,688) (702,123)	(102,160) (426,378) (22,901) (19,365) (70,242) (641,046)
Surplus/(deficit) for the year		(29,529)	19,659
Other comprehensive income Items that will not be reclassified subsequently to profit or loss Increment/(decrement) on revaluation of property, plant and equipment		8,948	7,847
Items that may be reclassified subsequently to profit or loss Impairment loss	_	<u>-</u>	(25)
Other comprehensive income for the year	_	8,948	7,822
Total comprehensive income for the year	_	(20,581)	27,481

	Note	2016 \$'000	2015 \$'000
Assets			
Current assets Cash and cash equivalents Trade and other receivables Inventories Other Non-current assets held for sale Total current assets	7 8 9 -	30,362 78,253 9,127 1 117,743 137 117,880	3,042 78,326 8,640 - 90,008 89 90,097
Non-current assets Receivables Property, plant and equipment Intangibles Total non-current assets	11 12 13	436,275 336,773 901 773,949	444,586 367,200 653 812,439
Total assets	_	891,829	902,536
Liabilities			
Current liabilities Trade and other payables Financial liabilities Provisions Other Total current liabilities	14 15 16 17	168,141 36,752 1,281 414 206,588	156,725 37,587 1,341 796 196,449
Non-current liabilities Trade and other payables Financial liabilities Provisions Total non-current liabilities	18 19 20	236,450 173,115 646 410,211	199,125 210,763 588 410,476
Total liabilities	_	616,799	606,925
Net assets	=	275,030	295,611
Equity Reserves Retained surpluses	_	211,544 63,486	204,510 91,101
Total equity	=	275,030	295,611

State Transit Authority of NSW Statement of changes in equity For the year ended 30 June 2016

	Reserves \$'000	Retained surpluses \$'000	Total equity \$'000
Balance at 1 July 2014	198,850	69,280	268,130
Surplus for the year Other comprehensive income for the year	- 7,822	19,659	19,659 7,822
Total comprehensive income for the year	7,822	19,659	27,481
Transactions with owners in their capacity as owners: Reserves transferred to retained surpluses on disposal/transfer of assets	(2,162)	2,162	
Balance at 30 June 2015	204,510	91,101	295,611
	Reserves \$'000	Retained surpluses \$'000	Total equity \$'000
Balance at 1 July 2015		surpluses	
Balance at 1 July 2015 Deficit for the year Other comprehensive income for the year	\$'000	surpluses \$'000	\$'000
Deficit for the year	\$'000 204,510	surpluses \$'000 91,101	\$'000 295,611 (29,529)
Deficit for the year Other comprehensive income for the year	\$'000 204,510 - 8,948	surpluses \$'000 91,101 (29,529)	\$'000 295,611 (29,529) 8,948

State Transit Authority of NSW Statement of cash flows For the year ended 30 June 2016

	Note	2016 \$'000	2015 \$'000
Cash flows from operating activities Receipts from operations Other income Interest received Payments to suppliers Interest paid	-	647,265 36,794 28,946 (625,237) (9,852)	630,166 35,107 29,509 (628,523) (19,441)
Net cash from operating activities	28	77,916	46,818
Cash flows from investing activities Purchases of property, plant and equipment Proceeds from disposal of property, plant and equipment Net cash used in investing activities	-	(50,632) 297 (50,335)	(44,391) 86 (44,305)
Cash flows from financing activities Repayment of borrowings Proceeds from finance leases	-	(38,105) 37,844	(37,437) 33,898
Net cash used in financing activities	-	(261)	(3,539)
Net increase/(decrease) in cash and cash equivalents Cash and cash equivalents at the beginning of the financial year	_	27,320 3,042	(1,026) 4,068
Cash and cash equivalents at the end of the financial year	7	30,362	3,042

Note 1. Summary of significant accounting policies

The State Transit Authority of New South Wales ("Authority") was established by section 20 of the Transport Administration Act 1988. It is domiciled in New South Wales (NSW), Australia.

The Authority is a controlled entity of Transport for New South Wales (TfNSW) and TfNSW is a controlled entity of the Department of Transport which is consolidated as part of the NSW Total State Sector accounts.

The Authority is a not-for-profit public entity for accounting purposes. The Authority is exempt from the National Tax Equivalent Regime and is not required to pay income tax.

The Authority's principal activities are the provision of bus services in metropolitan Sydney under the Sydney Metropolitan Bus Service Contracts, and bus services in Newcastle under the Outer Sydney Metropolitan Bus Service Contract, and ferry services in Newcastle.

The financial statements were authorised for issue by the Chief Executive on the date the accompanying statement was signed. The statement will not be amended and reissued as it has been audited.

Basis of preparation

The financial statements have been prepared as general purpose financial statements in accordance with the requirements of the Public Finance and Audit Act 1983, the Public Finance and Audit Regulation 2015, Australian Accounting Standards which include Australian Accounting Interpretations, applicable Treasurer's Directions and Treasury Circulars.

The financial statements have been prepared on an accrual accounting basis using historical costs except for certain non-current assets, which are recorded at fair value.

The financial statements have been prepared on a going concern basis. The Authority is in a good financial position resulting from its past operations, and will receive contract revenue from TfNSW for the next reporting period which will be funded by an appropriation from the NSW Government. Current liabilities exceed current assets at the year end. This is mostly attributed to a portion of unconditional personnel services liability recorded as a current liability in accordance with AASB 101. This relates to long service leave liabilities that the Authority does not expect to settle within the next 12 months. The Authority can access New South Wales Treasury Corporation (TCorp) undrawn short term and long term borrowing facilities to meet the repayment of debts as and when they fall due. All borrowings from TCorp are guaranteed by the NSW Government.

All amounts are expressed in Australian currency.

Revenue recognition

Revenue is recognised when services are provided by the Authority or when the significant risks and rewards of ownership of assets are transferred to the buyer. It must also be probable that the economic benefits will flow to the Authority and that the amount of revenue gained in respect of the transaction can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition and measurement criteria also apply:

Operational revenue

Operational Revenue consists of revenue derived from fares, charters, ferry funding and bus service contracts. It is recognised when the services have been provided and is measured in accordance with the relevant contracts and agreement.

State Transit Authority of NSW Notes to the financial statements 30 June 2016

Note 1. Summary of significant accounting policies (continued)

Other income

Interest income on cash held within the NSW Treasury Banking System is recognised on a time proportion basis using the effective interest method.

Operating lease income (rent) derived from commercial properties is recognised on a straight-line basis over the lease term.

Advertising income with regard to the advertising rights on buses is recognised and measured in accordance with the terms of the contract.

Government grants are recognised when control of the cash or other asset (or the right to receive it) is obtained. Unspent grants are accounted for as liabilities if there is an in-substance contractual obligation to refund the unspent amounts.

Cash and cash equivalents

Cash and cash equivalents include cash at bank within the NSW Treasury Banking System and cash on hand.

Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment. Prepayments represent amounts paid in advance for services where the benefit will be realised in a subsequent period.

The collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off as bad debts.

Inventories

Inventories are stated at the lower of the weighted average cost and net realisable value.

Non-current assets held for sale

Owned buses withdrawn from service, and awaiting disposal, are disclosed as held for sale. These buses are recognised at the lower of carrying value and fair value less costs to sell and are not depreciated or amortised while they are held for sale.

State Transit Authority of NSW Notes to the financial statements 30 June 2016

Note 1. Summary of significant accounting policies (continued)

Property, plant and equipment

The following policies apply to property, plant and equipment:

(i) Basis of valuation

The Authority has applied AASB 116 Property, Plant & Equipment in accordance with NSW Treasury Policy and Guidelines (TPP14-01) which requires that non-current assets be measured at fair value, except for Plant & Equipment, Motor Vehicles (other than buses) and Work-in-progress. These assets are measured at historical cost less any accumulated depreciation which is used as a surrogate for fair value and do not require fair value hierarchy disclosures under AASB 13 Fair Value measurement.

The fair value of an asset is determined having regard to existing use and highest and best use on the basis of current market selling prices for the same or similar assets. Where market selling price is not available, the asset's fair value is valued at depreciated replacement cost. Depreciated replacement cost is based on "incremental optimised replacement cost". Optimised replacement cost is the minimum cost, in the normal course of business, to replace the existing asset with a technologically modern equivalent asset with the same economic benefits, adjusting for any overdesign, overcapacity and redundant components. Incremental optimisation is limited to the extent that optimisation can occur in the normal course of business with commercially available technology.

Buildings, Wharf and Buses are specialised assets which are valued at depreciated replacement cost and are revalued at least every five years. Land is valued at market value and is revalued at least every three years. This is to ensure that the carrying amount of each asset in the class does not differ materially from its fair value at reporting date. When revaluing non-current physical assets, the gross amount and the related accumulated depreciation are separately restated.

Interim revaluations are performed between comprehensive revaluations where cumulative changes to indicators/indices suggest fair value may differ materially from carrying value. Generally, an interim revaluation is performed by management if the cumulative changes in indicators/indices are less than 12%. An interim formal revaluation is performed by external professionally qualified valuers when the cumulative changes in indicators/indices exceed 12%. In circumstances where asset values are deemed material, management may engage external valuers to perform an interim revaluation where changes in indicators/indices are lower than 12%. Management will assess whether comprehensive revaluations are required more frequently if the interim revaluations indicate movements are generally more than 12%. The indices are applied to the Property, Plant & Equipment in between comprehensive revaluation and increments/decrements are recognised in the accounts. Owned buses will be revalued yearly.

Where specific asset class carrying amount is increased as a result of a revaluation, the net increase is credited directly to the asset revaluation reserve through other comprehensive income. However, the net increase is recognised as income in the statement of comprehensive income to the extent that it reverses a net revaluation decrease of the same asset class previously recognised as expense in the statement of comprehensive income.

Where specific asset class carrying amount is decreased as a result of a revaluation, the net decrease is recognised as expense in the statement of comprehensive income. However, the net decrease is debited directly to the asset revaluation reserve through other comprehensive income to the extent of any credit balance existing in the asset revaluation reserve in respect of that specific asset class (Refer note 12).

(ii) Depreciation/Amortisation

Depreciation/amortisation of property, plant & equipment and intangibles, excluding freehold land and work-in-progress is based on the following range of estimated useful lives:

Freehold buildings and wharf
Plant and equipment
Intangibles
Owned buses
Ferries
Motor vehicles

10 - 60 years 3-40 years 2-3 years 20-25 years 41-42 years 4-10 years

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful life except for buses where it is calculated in line with the pattern of consumption of economic benefits.

The residual values, useful lives, amortisation and depreciation methods of assets are reviewed, and adjusted if appropriate, during each reporting period.

(iii) Capitalisation policy

Property, plant and equipment are recorded at the cost of acquisition. Cost is determined as the fair value of the assets given up at the date of acquisition plus costs incidental to the acquisition. The capitalisation threshold for a network of property, plant and equipment items or for an individual (non-networked) item is \$5,000.

(iv) Work-in-progress

Costs relating to property, plant and equipment under construction, including buses are shown in the financial statements as work-in-progress and are not depreciated.

(v) Repairs & maintenance

The costs of routine maintenance and repairs are charged as expenses as incurred, except where they relate to the replacement of a component of an asset that increases the service potential of the asset, in which case the costs are capitalised and depreciated.

(vi) Disposal policy

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income.

Intangibles

Intangible assets, comprising computer software, which have finite lives, are recognised at cost and are amortised on a straight-line basis over the period during which the benefits are expected to arise.

The estimated useful life and amortisation method is reviewed on an annual basis with any changes in these accounting estimates being accounted for on a prospective basis.

Impairment

The carrying values of assets are reviewed annually for impairment where objective evidence, or changes in circumstances, indicate the carrying values may not be recoverable or the assets previously impaired may be reversible.

If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the impaired assets would be written down to their recoverable amounts. Where the recoverable amounts exceed the values of the impaired assets, a reversal is made to the extent of the previous write downs.

An impairment loss is recognised immediately as expense in the statement of comprehensive income unless the relevant asset is carried at a revalued amount in which case the impairment loss is treated as a revaluation decrease.

Payables

Liabilities for trade creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities

Borrowings are recognised initially at fair value. After initial recognition, borrowings are measured at amortised cost using the effective interest rate method.

Gains and losses are recognised as income or expense respectively in the statement of comprehensive income when the liabilities are derecognised as well as through the amortisation process.

Insurance

Appropriate insurances are purchased to cover material liability, physical damage, business interruption, and other exposures arising out of normal business operations.

Due to use of deductibles, insurance may not provide 100% cover and the Authority would then retain direct responsibility for some portion of the losses.

Provisions are made for future costs associated with liability claims occurring in the financial year for which insurance may not provide cover. These provisions are assessed at their present value by independent actuaries.

Finance costs

All interest on borrowings is expensed in the period in which it is incurred.

Provisions

Provisions are recognised when it is probable that the Authority has a present legal, equitable or constructive obligation to make a future sacrifice of economic benefits as a result of past transactions or events and a reliable estimate of the amount of the obligation can be made. Provisions are measured at the present value of the estimated liability. The calculation of provisions require various assumptions and estimates to be made. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provisions recognised are periodically reviewed and updated based on the facts and circumstances available at the time.

Personnel services

Staff of the Authority are employed by Transport Service of NSW. The Authority has recognised a personnel services expense and a corresponding liability to Transport Service of NSW.

Revenue received in advance

Revenue received in advance relates to prepaid income which is not yet earned.

Accounting for Goods and Services Tax (GST)

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

- The amount of GST incurred that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense.
- Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from or payable to the Australian Taxation Office is included in the statement of financial position as an asset or liability.

Cash flows are reported in the cash flow statement on a gross basis. The GST components of cash flows arising from investing and financing activities are classified as operating cash flows.

Finance leases

Under the Sydney Metropolitan Bus Service Contracts and the Outer Metropolitan Bus Service Contract, the Authority receives payments from TfNSW for buses provided under contract. These are recognised as finance leases and measured at minimum lease payment receivable plus any unguaranteed residual value in accordance with AASB 117 Leases. The Authority has assessed that there is no unguaranteed residual value.

Lease receipts are recognised in two components, one as a reduction of the lease receivable and the other as finance income. The finance income is calculated according to the interest rate implicit in the leases.

Judgement, key assumptions and estimations

In the application of accounting standards, management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the current set of circumstances.

Management evaluates these judgements, estimates and assumptions on an ongoing basis. Revisions to estimates are recognised in the period in which the estimate is revised and all periods subsequent to the revision.

Judgements, assumptions and estimates have been applied to Property, Plant & Equipment and Provisions in the financial statements.

The Outer Sydney Metropolitan Bus Service contract expires on 30 June 2017. The Government has commenced the process to appoint a new private sector operator to provide an integrated transport network for Newcastle including buses, ferries, the new light rail and interchanges. The Government proposes to appoint the new operator later this calendar year prior to assuming full responsibility for Transport for Newcastle from the middle of next calendar year. There currently exists uncertainty in relation to the timing, terms & conditions & method for the treatment of assets and liabilities of State Transit's current Newcastle operations. Accordingly, the financial statements have been prepared on a consistent basis with prior years.

A NSW transport agency, RailCorp, is expected to progressively transition to a newly formed Transport Asset Holding Entity (TAHE). TAHE may eventually hold additional public transport assets for the State, which may include the Authority's assets. Until such time as any related decisions are announced and any impacts become known, these financial statements have been prepared on a consistent basis with prior years.

Rounding of amounts

Amounts in this report have been rounded off to the nearest thousand dollars, or in certain cases, the nearest dollar.

Reserves

The reserve comprises asset revaluation increments/decrements recognised upon the revaluation of land, buildings, wharf, owned buses and ferries. Upon disposal or retirement, any remaining revaluation increment of the asset at the time of disposal is transferred to retained surpluses.

Statement of compliance

The financial statements of the Authority, including the notes, comply with Australian Accounting Standards which includes Australian Accounting Interpretations. At reporting date all new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to the Authority's operations and effective for the current annual reporting period have been adopted.

Early adoption of new or revised Accounting Standards/Interpretations:

Australian Accounting Standards and Interpretations that have recently been issued or amended relevant to the Authority but are not yet effective have not been adopted, except for AASB 2015-7, "Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities" as per NSW Treasury Circular 16-02, "Mandates of Options and Major Policy Decisions under Australian Accounting Standards".

The Authority's assessment of the impact of the new standards and interpretations that have not been adopted is set out below:

AASB 9 Financial Instruments

The new standard includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, and supplements the new general hedge accounting requirements previously published. The Authority will adopt this standard for the annual reporting period beginning on 1 July 2018. The impact of this adoption is yet to be assessed by the Authority.

AASB 16 Leases

AASB 16 removes the classification of leases as either operating lease or finance leases - for the lessee, effectively treating all leases as finance leases. Lessor accounting remains similar to current practice that is, continuing to classify leases as finance and operating leases. This standard applies to annual reporting periods beginning on or after 1 January 2019. The adoption of this standard will not have a material impact on the Authority.

AASB 2014-4 Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation

These amendments are applicable to annual reporting periods beginning on or after 1 January 2016. AASB 2014-4 amends AASB 116 and AASB 138 to clarify that depreciation and amortisation should be based on the expected pattern of consumption of an asset, that the use of revenue based methods to calculate depreciation are not appropriate, and that there is a rebuttable presumption that revenue is an inappropriate basis for measuring the consumption of the economic benefit embodied in an intangible asset. The adoption of this standard for annual reporting period beginning on 1 July 2016 will not have a material impact on the Authority.

AASB 15 Revenue from Contracts with Customers

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. This standard is expected to be applicable to annual reporting periods beginning on or after 1 January 2018 and the Authority will adopt this standard for the annual reporting period beginning 1 July 2018. The impact of its adoption is yet to be assessed by the Authority.

AASB 2015-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101 These amendments are applicable to annual reporting periods beginning on or after 1 January 2016. AASB 2015-2 amends AASB 101 to clarify that entities should not be disclosing immaterial information and that the presentation of information in notes can and should be tailored to provide investors and other users with the clearest story of an entity's financial performance and financial position. The adoption of these amendments will not have a material impact on the Authority.

AASB 2015-6 Amendments to Australian Accounting Standards - Extending Related Party Disclosures to Not-for-Profit Public Sector Entities

The objective of this Standard is to extend the scope of AASB 124 Related Party Disclosures to include not-for-profit public sector entities. This Standard applies to annual reporting periods beginning on or after 1 July 2016. It is expected that the first time adoption of AASB 2015-6 for the year ending 30 June 2017 will not impact on the transactions and balances recognised in the primary financial statements, though there will be significant additional disclosures in the notes to the financial statements.

Note 2. Other income

	2016 \$'000	2015 \$'000
Interest (includes finance lease income) Government grants Other (includes rents, fines and advertising)	28,944 12,989 27,238	29,509 13,376 26,904
	69,171	69,789
Note 3. Fleet running expenses		
	2016 \$'000	2015 \$'000
Fuel Fleet maintenance	51,431 47,974	56,794 45,366
	99,405	102,160

Note 4. Personnel services

	2016 \$'000	2015 \$'000
Personnel services provided by Transport Service of NSW	486,423	426,378
The significant increase in personal services expense is due to actuarial valuations and is discount rate (based on the 10 year Commonwealth Bond rate at 30 June 2016) since the pre-		
Note 5. Depreciation and amortisation		
	2016 \$'000	2015 \$'000
Depreciation Amortisation	18,454 313	22,400 501
	18,767	22,901
Note 6. General operating expenses		
	2016 \$'000	2015 \$'000
Insurances Revaluation expense (Refer note 12)	24,867 13,715	23,349
Losses on disposal of assets Minimum lease payment Consultancy/professional convices	290 1,078	65 1,009 1,370
Consultancy/professional services Impairment Repairs & maintenance	2,666 - 5,974	7,570 35 7,501
Taxes & tolls	4,866	4,707
Cleaning, waste & pest control	5,925	5,672
Other operating expenses (includes corporate and shared services)	28,307	26,534
	87,688	70,242
Note 7. Current assets - cash and cash equivalents		
	2016 \$'000	2015 \$'000
Cash at bank and on hand	30,362	3,042
Note 8. Current assets - trade and other receivables		
	2016 \$'000	2015 \$'000
Trade debtors	31,902	36,915
Sundry debtors Goods and services tax	2,179	1,032 71
Finance leases (Refer note 24)	40,903	36,986
Prepayments	3,269	3,322
	78,253	78,326

State Transit Authority of NSW Notes to the financial statements 30 June 2016

Note 9. Current assets - inventories

	2016 \$'000	2015 \$'000
Mechanical and electrical spares	7,316	6,685
Distillate	578	695
Tyres	347	302
Other	886	958
	9,127	8,640
Note 10. Current assets - non-current assets held for sale		
	2016 \$'000	2015 \$'000
Owned buses withdrawn from service	137	89
Note 11. Non-current assets - receivables		
	2016 \$'000	2015 \$'000
Finance leases (Refer Note 24)	436,275	444,586

State Transit Authority of NSW Notes to the financial statements 30 June 2016

Note 12. Non-current assets - property, plant and equipment

	2016 \$'000	2015 \$'000
Land	179,007	167,563
Less: Provision for remediation*	(1,783)	(554)
	177,224	167,009
Buildings	221,178	213,917
Less: Accumulated depreciation	(111,600)	(104,803)
·	109,578	109,114
Wharf	513	767
Less: Accumulated depreciation	(106)	(288)
	407	479
Plant and equipment	68,507	71,340
Less: Accumulated depreciation	(59,306)	(60,631)
	9,201	10,709
Motor vehicles (other than buses)	1,486	1,788
Less: Accumulated depreciation	(897)	(1,231)
	589	557
Owned buses	399,016	368,915
Less: Accumulated depreciation	(363,206)	(301,318)
	35,810	67,597
Ferries	9,968	9,968
Less: Accumulated depreciation	(8,441)	(8,312)
	1,527	1,656
Work-in-progress	2,437	10,079
	336,773	367,200

Note 12. Non-current assets - property, plant and equipment (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Land \$'000	Buildings & Wharf \$'000	Plant & Equipment \$'000	Owned buses & ferries \$'000	Work-in- progress \$'000	Total \$'000
Balance at 1 July 2014	159,103	114,957	13,812	82,582	11,848	382,302
Additions	-	218	1,112	-	31,416	32,746
Disposals/derecognition/write- offs Revaluation	-	(1)	(35)	(175)	(1,825)	(2,036)
increments/(decrements)	7,847	-	-	-	-	7,847
Transfer to finance lease	-	-	-	-	(31,360)	(31,360)
Classified as held for sale	-	-	- (0.4)	42	-	42
Other	59	21	(21)	(40,400)	-	59
Depreciation expense		(5,602)	(3,602)	(13,196)		(22,400)
Balance at 30 June 2015	167,009	109,593	11,266	69,253	10,079	367,200
Additions	-	203	1,756	, -	29,457	31,416
Disposals/derecognition/write-						
offs	-	-	(473)	(164)	(3,298)	(3,935)
Revaluation	44.445	5 700		(04.007)		(4.07.4)
increments/(decrements)^	11,445	5,788	-	(21,607)	(00,004)	(4,374)
Transfer to finance lease	-	-	-	(40)	(33,801)	(33,801)
Classified as held for sale	(4.000)	(205)	-	(48)	-	(48)
Other	(1,230)	(325)	325	(40.007)	-	(1,230)
Depreciation expense#		(5,274)	(3,084)	(10,097)		(18,455)
Balance at 30 June 2016	177,224	109,985	9,790	37,337	2,437	336,773

^{*} The increase in the provision includes the decommissioning of below ground diesel fuel tanks and the remediation of the ground and surrounding area where the fuel tanks will be removed.

Refer to note 22 for further information on fair value measurement.

[^] The Authority engaged an independent external valuer to undertake a comprehensive revaluation of buildings, wharf and owned buses, and an interim revaluation of land, as at 31 March 2016. The methodology used to value owned buses changed from Market-based to Depreciated Replacement Cost. The impact of the change in the valuation methodology is not material. The revaluation decrement for owned buses is \$21.6M, reversing a previous revaluation increment of \$7.9M, with the balance of \$13.7M reported as a revaluation expense.

[#] The Authority revised the period over which owned buses, and freehold buildings and wharf are depreciated, effective from 1 April 2016. The impact of the change is not material.

Note 13. Non-current assets - intangibles

	2016 \$'000	2015 \$'000
Software	7,939	10,641
Less: Accumulated amortisation	(7,180)	(10,332)
	759	309
Work-in-progress	142	344
	901	653
Reconciliations		

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Work-in-		
	Software \$'000	progress \$'000	Total \$'000
Balance at 1 July 2014 Additions Disposals/derecognition Amortisation expense	683 127 - (501)	127 344 (127)	810 471 (127) (501)
Balance at 30 June 2015 Additions Disposals/derecognition Amortisation expense	309 763 - (313)	344 549 (751)	653 1,312 (751) (313)
Balance at 30 June 2016	759	142	901

Note 14. Current liabilities - Trade and other payables

	2016 \$'000	2015 \$'000
Trade creditors	9,278	17,368
Personnel services liability to Transport Service of NSW	136,650	127,373
Other creditors and accruals	16,270	8,566
Accrued interest	3,321	3,418
Goods and services tax	2,622	<u>-</u>
	168,141	156,725

Refer to note 21 for further information on financial instruments.

Note 15. Current liabilities - Financial liabilities

	2016 \$'000	2015 \$'000
Borrowings secured by Government guarantee	36,752	37,587

Refer to note 21 for further information on financial instruments.

Note 15. Current liabilities - Financial liabilities (continued)

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

	2016 \$'000	2015 \$'000
Total facilities		
Short term financing facility	45,000	45,000
Used at the reporting date Short term financing facility		15,000
Unused at the reporting date Short term financing facility	45,000	30,000
Note 16. Current liabilities - provisions		
	2016 \$'000	2015 \$'000
Others	1,281	1,341
Other provisions The current provision includes a provision for public risk, third party property damage and min	or works.	
Movements in provisions Movements in provisions during the current financial year are set out below:		
2016		\$'000
Carrying amount at the start of the year Additional provisions recognised Payments	_	1,341 4,092 (4,152)
Carrying amount at the end of the year	=	1,281
Note 17. Current liabilities - other		
	2016 \$'000	2015 \$'000
Revenue received in advance Other payables	414	722 74
	414	796
Note 18. Non-current liabilities - Trade and other payables		
	2016 \$'000	2015 \$'000
Personnel services liability to Transport Service of NSW	236,450	199,125

The significant increase in personal services liability is due to actuarial valuations and is attributed to a decline in the discount rate (based on the 10 year Commonwealth Bond rate at 30 June 2016) since the previous valuation date.

Note 19. Non-current liabilities - Financial liabilities

	2016 \$'000	2015 \$'000
Borrowings secured by Government guarantee	173,115	210,763
Refer to note 21 for further information on financial instruments.		
Total secured liabilities The total secured liabilities (current and non-current) are as follows:	2016 \$'000	2015 \$'000
Borrowings secured by Government guarantee	209,867	248,350
Note 20. Non-current liabilities - Provisions		
	2016 \$'000	2015 \$'000
Others	646	588

Other provisions

The non-current provision includes a provision for public risk, third party property damage and make good.

Movements in provisions

Movements in non-current provisions during the current financial year are set out below:

2016	\$'000
Carrying amount at the start of the year Additional provisions recognised	588 58
Carrying amount at the end of the year	646

Note 21. Financial instruments

Financial risk management objectives

The Authority's activities expose it to a variety of financial risks: market risk (including interest rate risk), credit risk and liquidity risk. Financial risk management is carried out under policies approved by the Chief Executive Officer. These policies include identification and analysis of the risk exposure of the Authority and appropriate procedures, controls and risk limits.

Market risk

Foreign currency risk and price risk

The Authority is not exposed to any currency risk nor significant price risk at balance date.

Interest rate risk

Interest rate risk occurs where the value of the financial liabilities fluctuates due to changes in interest rates. The Authority's interest rate risk policy seeks to minimise the effects of interest rate movements through active management of the exposures by converting between floating short-term and long-term fixed-interest loans.

Note 21. Financial instruments (continued)

Credit risk

Credit risk arises from the potential failure of counterparties to meet their obligations under the contract. The risk is mitigated by strict adherence to the Authority's credit policy and ongoing assessment of potential default. Except for the amounts previously impaired, it is not expected that any other material counterparties will fail to meet their obligations. The aging analysis detailed below, represents financial assets that have not been impaired. Where financial assets are impaired, they are stated separately below.

	2016 \$'000	2015 \$'000
Class of financial assets		
Cash and cash equivalents	30,362	3,042
Trade debtors	31,902	36,915
Sundry debtors	2,179	1,032
Finance leases	477,178	481,572
Total	541,621	522,561

Impairment of receivables

The Authority has recognised \$nil loss (\$23K for the year ended 30 June 2015) in profit or loss in respect of impairment of receivables.

Movements in the provision for impairment of receivables are as follows:

	2016 \$'000	2015 \$'000
Opening balance Receivables written off during the year as uncollectable	<u>-</u>	23 (23)
Closing balance		

Past due but not impaired

Customers with balances past due but without provision for impairment of receivables amount to \$1,380,000 as at 30 June 2016 (\$1,992,000 as at 30 June 2015).

The Authority did not consider a credit risk on the aggregate balances after reviewing the credit terms of customers based on recent collection practices.

The ageing of the past due but not impaired receivables are as follows:

	2016 \$'000	2015 \$'000
0 to 3 months 3 to 6 months Over 6 months overdue	1,186 100 94	748 1,218 26
	1,380	1,992

Liquidity risk

Vigilant liquidity risk management requires the Authority to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Authority manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities (Refer note 15 and 17).

Note 21. Financial instruments (continued)

During the current and prior years, there were no defaults on any loans payable. No assets have been pledged as collateral. The Authority's exposure to liquidity risk is deemed insignificant based on past experience and current assessment of risk. The information relevant to the current assessment appears in Note 1 under "Basis of preparation".

Financing arrangements

Unused borrowing facilities at the reporting date:

	2016 \$'000	2015 \$'000
Short term financing facility	45,000	30,000

A short-term financing credit facility is available to meet daily cash flow requirements that may arise from time to time. Details of the facility used, and unused, at balance date are set out above.

Remaining contractual maturities

The following tables detail the Authority's remaining contractual maturities for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

2016	Weighted average interest rate %	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Non-derivatives Non-interest bearing Financial liabilities	-	28,869	-	-	-	28,869
Interest-bearing - fixed rate						
Financial liabilities	4.52%	47,157	55,644	63,078	83,727	249,606
Total non-derivatives		76,026	55,644	63,078	83,727	278,475
2015	Weighted average interest rate %	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Non-derivatives Non-interest bearing Financial liabilities	-	29,352	-	-	-	29,352
Interest-bearing - variable Financial liabilities	2.15%	37,628	-	-	-	37,628
Interest-bearing - fixed rate						
Financial liabilities	4.32%	10,570	54,722	102,819	90,110	258,221
Total non-derivatives		77,550	54,722	102,819	90,110	325,201

The cash flows in the maturity analysis above are not expected to occur significantly earlier than disclosed above.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

State Transit Authority of NSW Notes to the financial statements 30 June 2016

Note 22. Fair value measurement

Fair value hierarchy

The following tables detail the Authority's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

2016	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets Finance leases Property, plant and equipment Total assets	- - -	449,310 - 449,310	324,546 324,546	449,310 324,546 773,856
Liabilities Financial liabilities Total liabilities	<u> </u>	209,867 209,867	<u>-</u>	209,867 209,867
2015	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets				
Finance leases Property, plant and equipment Total assets	- - -	467,355 - 467,355	345,855 345,855	467,355 345,855 813,210

Assets and liabilities held for sale are measured at fair value on a non-recurring basis.

There were no transfers between levels during the financial year.

Note 22. Fair value measurement (continued)

Level 3 assets and liabilities

Movements in level 3 assets and liabilities during the current and previous financial year are set out below:

	Land \$'000	Buildings & Wharves \$'000	Owned buses \$'000	Ferries \$'000	Total \$'000
Balance at 1 July 2014	159,103	114,957	80,798	1,784	356,642
Additions	-	218	-	-	218
Disposals	-	(1)	(114)	-	(115)
Depreciation	-	(5,602)	(13,068)	(128)	(18,798)
Movement in held-for-sale	-	-	42	-	42
Others	59	21	(61)	-	19
Revaluation increment/(decrement)	7,847				7,847
Balance at 30 June 2015	167,009	109,593	67,597	1,656	345,855
Additions	-	203	-	-	203
Disposals	-	-	(133)	-	(133)
Depreciation	-	(5,274)	(9,968)	(128)	(15,370)
Movement in held-for-sale	-	-	(48)	-	(48)
Others	(1,230)	(325)	(32)	-	(1,587)
Revaluation increment/(decrement)	11,445	5,788	(21,607)	- -	(4,374)
Balance at 30 June 2016	177,224	109,985	35,809	1,528	324,546

The effective date of the independent valuation of property, plant and equipment is below:

Description	Date of valuation
a) Owned buses	31 March 2016
b) Ferries	31 March 2014
c) Land	31 March 2016
d) Buildings	31 March 2016
e) Wharf	31 March 2016

Significant increases (decreases) in estimated replacement cost, residual value, or useful life would result in a significantly higher (lower) fair value of the asset.

The basis of valuation for Land is Market-based. Owned Buses, Ferries, Buildings and Wharf are valued at Depreciated Replacement Cost.

Note 23. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Audit Office of NSW, the auditor of the Authority:

	2016 \$	2015 \$
Audit services - Audit Office of NSW Audit of the financial statements	204,820	195,300

Note 24. Finance lease as the lessor

Buses acquired under the Sydney Metropolitan Bus Service Contracts from 1 July 2005, and the Outer Sydney Metropolitan Bus Service Contract from 1 July 2006, are recognised as finance lease receivables from Transport for NSW (TfNSW) for the term of 15 years.

	2016 \$'000	2015 \$'000
Gross investment in the lease Not later than one year Later than one year and not later than five years Later than five years	67,686 270,002 285,833	64,641 258,561 320,373
Total gross investment	623,521	643,575
	2016 \$'000	2015 \$'000
Present value of minimum lease receipts Not later than one year (current) Later than one year and not later than five years (non-current) Later than five years (non-current)	40,903 189,911 246,364	36,986 172,647 271,939
Total present value of minimum lease receipts	477,178	481,572
	2016 \$'000	2015 \$'000
Reconciliation Total gross investment Unearned finance income	623,521 (146,343)	643,575 (162,003)
Total present value of minimum lease receipts	477,178	481,572

Note 25. Contingent liabilities

The Authority by virtue of its operations may have possible contamination in land beyond which is already identified (Refer note 12). Although the Authority has ongoing processes in place to identify any possible further contamination of land, the estimated additional costs of any remediation required cannot be reliably determined at the date of preparation of these financial statements.

The Authority does not have any other contingent liability that would significantly impact on the state of affairs of the Authority or have a material effect on these financial statements

Note 26. Commitments

	2016 \$'000	2015 \$'000
Lease commitments - operating Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	1,086	872
One to five years	698	155
More than five years	13_	10
	1,797	1,037
Capital expenditure commitments Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	345	417

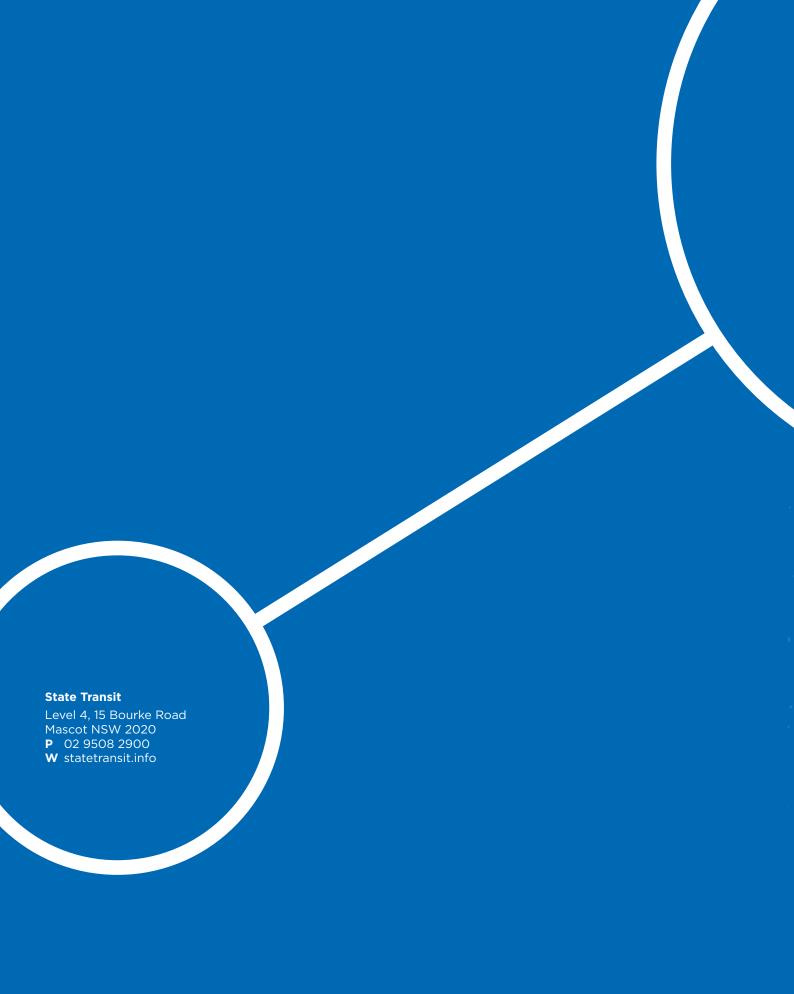
The commitment totals as shown above include Goods and Services Tax (GST) of \$0.195M (\$0.094M as at 30 June 2015), which is recoverable from the Australian Taxation Office.

Note 27. Events after the reporting period

No matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect the Authority's operations, the results of those operations, or the Authority's state of affairs in future financial years.

Note 28. Reconciliation of surplus/(deficit) to net cash from operating activities

	2016 \$'000	2015 \$'000
Surplus/(deficit) for the year	(29,529)	19,659
Adjustments for: Impairment of property, plant and equipment Amortisation of intangible assets Depreciation Net loss/(gain) on disposal of non-current assets Net revaluation decrement Personnel services Other non-cash items	313 18,454 290 13,715 49,304 5,697	35 501 22,400 65 - - 558
Change in assets and liabilities: (Increase)/decrease in receivables (Increase)/decrease in inventory (Increase)/decrease in Goods and Services Tax (Increase)/decrease in other assets Increase/(decrease) in payables Increase/(decrease) in revenue received in advance Increase/(decrease) in provisions Increase/(decrease) in other payables	6,541 (487) 2,693 (49) 11,416 (308) (60) (74)	(4,155) 14 674 700 9,572 (3,275) 118 (48)
Net cash from operating activities	77,916	46,818



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