

Financial statements

Roads and Traffic Authority of New South Wales
Financial Statements for the period ended 30 June 2002.



THE M5 EAST FREEWAY TUNNEL.

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GPO BOX 12
SYDNEY NSW 2001

INDEPENDENT AUDIT REPORT

ROADS AND TRAFFIC AUTHORITY OF NEW SOUTH WALES

To Members of the New South Wales Parliament

Scope

I have audited the accounts of the Roads and Traffic Authority of New South Wales for the year ended 30 June 2002. The Chief Executive is responsible for the financial report consisting of the accompanying statement of financial position, statement of financial performance, statement of cash flows, program statement - expenses and revenues and summary of compliance with financial directives, together with the notes thereto and the information contained therein. My responsibility is to express an opinion on the financial report to Members of the New South Wales Parliament based on my audit as required by the *Public Finance and Audit Act 1983* (the Act). My responsibility does not extend here to an assessment of the assumptions used in formulating budget figures disclosed in the financial report.

My audit has been conducted in accordance with the provisions of the Act and Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. My procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates.

These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial report is presented fairly in accordance with the requirements of the Act, Accounting Standards and other mandatory professional reporting requirements, in Australia, so as to present a view which is consistent with my understanding of the Authority's financial position, the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In my opinion, the financial report of the Roads and Traffic Authority of New South Wales complies with sections 41B and 41BA of the Act and presents fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements the financial position of the Authority as at 30 June 2002 and the results of its operations and its cash flows for the year then ended.

A handwritten signature in black ink, appearing to read "R J Sendt".

R J Sendt
Auditor-General

SYDNEY
30 September 2002

ROADS AND TRAFFIC AUTHORITY**YEAR ENDED 30 JUNE 2002**

Pursuant to Section 41C (1B) and (1C) of the Public Finance and Audit Act 1983, we declare that in our opinion:

1. The accompanying financial statements exhibit a true and fair view of the Authority's financial position as at 30 June 2002 and transactions for the year then ended.

2. The statements have been prepared in accordance with the provisions of the Public Finance and Audit Act 1983, the Public Finance and Audit Regulation 2000, the Treasurer's Directions and the directives of the Financial Reporting Code.

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



Brett Skinner
Director, Finance
30 September 2002



Paul Forward
Chief Executive
30 September 2002

Statement of Financial Performance
For the Year Ended 30 June 2002

	Notes	Actual 2002 \$000	Budget 2002 \$000	Actual 2001 \$000
Expenses				
Operating Expenses				
– Employee Related	2(a),7	216,394	204,867	236,320
– Other Operating Expenses	2(b)	360,471	315,074	306,006
Maintenance	2(c)	622,121	600,562	466,710
Depreciation and Amortisation	2(d)	509,424	442,380	313,036
Grants and Subsidies	2(e)	28,042	27,065	19,386
Borrowing Costs	2(f)	84,564	84,003	86,364
Total Expenses		1,821,016	1,673,951	1,427,822
Less:				
Retained Revenue				
Sale of Goods and Services	3(a)	181,160	162,165	152,627
Investment Income	3(b)	21,724	413	18,396
Retained Taxes, Fees and Fines	3(c)	5,916	–	5,347
Grants and Contributions	3(d)	73,796	22,000	40,773
Other Revenue	3(e)	25,294	51,075	87,333
Total Retained Revenue		307,890	235,653	304,476
Gain/(Loss) on Disposal of Non-Current Assets	4	6,257	–	3,250
Net Cost of Services	24	1,506,869	1,438,298	1,120,096
Government Contributions				
Recurrent Appropriation	6	1,085,240	1,052,930	1,069,099
Capital Appropriation	6	967,354	945,092	882,682
Total Government Contributions		2,052,594	1,998,022	1,951,781
SURPLUS/(DEFICIT) FOR THE YEAR FROM ORDINARY ACTIVITIES		545,725	559,724	831,685
SURPLUS/(DEFICIT) FOR THE YEAR		545,725	559,724	831,685
NON-OWNER TRANSACTION CHANGES IN EQUITY				
Net increase (decrease) in asset revaluation reserve	18	2,188,761	–	1,913,397
Net increase (decrease) in accumulated funds arising from a UIG transitional provision	18	–	–	–
Other increases (decreases)	18	579,320	–	67,263
Total revenues, expenses and valuation adjustments recognised directly in equity		2,768,081	–	1,980,660
Total changes in equity other than those resulting from transactions with owners as owners		3,313,806	559,724	2,812,345

The accompanying notes form part of these statements.

Statement of Financial Position
For the Year Ended 30 June 2002

	Notes	Actual 2002 \$000	Budget 2002 \$000	Actual 2001 \$000
ASSETS				
Current Assets				
Cash	9	93,774	25,809	41,220
Receivables	10(a)	83,755	36,487	51,593
Inventories		7,757	6,865	8,353
Other	12(a)	1,681	2,187	1,992
Total Current Assets		186,967	71,348	103,158
Non Current Assets				
Receivables	10(b)	61,012	49,802	54,408
Property, Plant & Equipment				
– Land and Buildings	11	2,795,173	2,490,894	2,436,612
– Plant and Equipment	11	86,409	65,111	81,500
– Infrastructure Systems	11	50,879,523	46,003,365	47,912,441
Total Property, Plant & Equipment		53,761,105	48,559,370	50,430,553
Other	12(b)	753,255	765,617	708,837
Total Non-Current Assets		54,575,372	49,374,789	51,193,798
Total Assets		54,762,339	49,446,137	51,296,956
LIABILITIES				
Current Liabilities				
Payables	13	375,459	251,393	269,994
Interest bearing liabilities	14	110,771	179,787	234,693
Employee Entitlements and other provisions	16	78,088	110,885	82,366
Other	17	44,138	42,475	42,121
Total Current Liabilities		608,456	584,540	629,174
Non Current Liabilities				
Interest bearing liabilities	14	957,608	888,409	854,343
Employee Entitlements and other provisions	16	368,561	204,659	284,943
Other	17	413,943	413,891	428,531
Total Non-Current Liabilities		1,740,112	1,506,959	1,567,817
Total Liabilities		2,348,568	2,091,499	2,196,991
Net Assets		52,413,771	47,354,638	49,099,965
EQUITY				
Reserves	18	13,138,969	9,036,811	10,950,208
Accumulated Funds	18	39,274,802	38,317,827	38,149,757
Total Equity		52,413,771	47,354,638	49,099,965

The accompanying notes form part of these statements.

Statement of Cash Flows
For the Year Ended 30 June 2002

	Notes	Actual 2002 \$000	Budget 2002 \$000	Actual 2001 \$000
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
Employee Related		(139,054)	(197,867)	(167,755)
Grants and Subsidies		(28,042)	(27,065)	(19,386)
Borrowing Costs		(75,244)	(74,800)	(76,400)
Other		(1,098,859)	(1,039,854)	(997,233)
Total Payments		(1,341,199)	(1,339,586)	(1,260,774)
Receipts				
Sale of Goods and Services		175,126	164,067	143,548
Retained Taxes, Fees & Fines		5,916	–	5,347
Investment Income Received		21,544	413	18,423
Other		265,864	136,704	155,087
Total Receipts		468,450	301,184	322,405
Cash Flow from Government				
Recurrent Appropriation		1,085,240	1,052,930	1,069,099
Capital Appropriation		967,354	945,092	882,682
Net Cash Flows from Government		2,052,594	1,998,022	1,951,781
NET CASH FLOWS FROM OPERATING ACTIVITIES	24	1,179,845	959,620	1,013,412
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from Sale of Land and Buildings, Plant & Equipment and Infrastructure Systems		37,358	28,433	33,482
Purchases of Land and Buildings, Plant & Equipment and Infrastructure Systems		(1,135,076)	(959,838)	(1,091,176)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(1,097,718)	(931,405)	(1,057,694)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from borrowings and advances		–	–	40,000
Repayment of Borrowings and Advances		(29,573)	(28,200)	(268)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(29,573)	(28,200)	39,732
NET INCREASE/(DECREASE) IN CASH		52,554	15	(4,550)
Opening Cash and Cash Equivalents		41,220	25,794	45,770
CLOSING CASH AND CASH EQUIVALENTS	9	93,774	25,809	41,220

The accompanying notes form part of these statements.

Program Statement – Expenses and Revenues
For the Year Ended 30 June 2002

ROADS AND TRAFFIC AUTHORITIES EXPENSES AND REVENUES	Road Network Infrastructure*		Road Safety & Road User Management*		Traffic & Transport*		M4/M5 Cashback Scheme*		Not Attributable		Total	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
EXPENSES												
Operating Expenses												
– Employee Related	13,908	17,707	179,453	193,992	23,033	24,621	–	–	–	–	216,394	236,320
– Other Operating Expenses	56,233	54,655	179,982	141,040	68,736	67,858	55,520	42,453	–	–	360,471	306,006
Maintenance	522,083	387,974	–	–	100,038	78,736	–	–	–	–	622,121	466,710
Depreciation and Amortisation	502,796	306,916	5,134	5,326	1,494	794	–	–	–	–	509,424	313,036
Grants & Subsidies	17,534	13,440	10,309	5,781	199	165	–	–	–	–	28,042	19,386
Borrowing Costs	84,564	86,306	–	58	–	–	–	–	–	–	84,564	86,364
Total Expenses	1,197,118	866,998	374,878	346,197	193,500	172,174	55,520	42,453	–	–	1,821,016	1,427,822
Retained Revenue												
Sale of Goods and Services	99,053	85,726	75,114	60,756	6,993	6,145	–	–	–	–	181,160	152,627
Investment Income	21,026	18,104	333	132	365	160	–	–	–	–	21,724	18,396
Retained Taxes, Fees and Fines	696	659	5,220	4,688	–	–	–	–	–	–	5,916	5,347
Grants and Contributions	56,389	29,839	5,596	4,909	11,811	6,025	–	–	–	–	73,796	40,773
Other Revenue	25,294	87,333	–	–	–	–	–	–	–	–	25,294	87,333
Total Retained Revenue	202,458	221,661	86,263	70,485	19,169	12,330	–	–	–	–	307,890	304,476
Gain (Loss) on Disposal of Non-Current Assets	6,257	3,250	–	–	–	–	–	–	–	–	6,257	3,250
NET COST OF SERVICES	988,403	642,087	288,615	275,712	174,331	159,844	55,520	42,453	–	–	1,506,869	1,120,096
Government Contributions**	–	–	–	–	–	–	–	–	2,052,594	1,951,781	2,052,594	1,951,781
NET EXPENDITURE/ (REVENUE) FOR THE YEAR	988,403	642,087	288,615	275,712	174,331	159,844	55,520	42,453	(2,052,594)	(1,951,781)	(545,725)	(831,685)
ADMINISTERED REVENUES												
[See Road Network Infrastructure Note 1(e)]	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Consolidated Fund												
– Taxes, Fees and Fines	–	–	–	–	–	–	–	–	289,736	340,345	289,736	340,345
– Other	–	–	–	–	–	–	–	–	510,335	484,032	510,335	484,032
Total Administered Revenues	–	–	–	–	–	–	–	–	800,071	824,377	800,071	824,377

*The description and objectives of each program are summarised in Note 8.

**Appropriations are made on an agency basis and not to individual programs. Consequently, government contributions are included in the 'Not Attributable' column.

Summary of Compliance with Financial Directives
For the Year Ended 30 June 2002

	2002				2001			
	Recurrent Appropriation	Expenditure/ net claim on consolidated fund	Capital appropriation	Expenditure/ net claim on consolidated fund	Recurrent appropriation	Expenditure	Capital appropriation	Expenditure
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Original Budget Appropriation/Expenditure								
– Appropriation Act	1,052,930	1,052,843	945,092	945,092	1,035,756	1,032,262	884,925	884,925
– Additional Appropriations	–	–	–	–	–	–	–	–
– Section 21A PF & AA – Special Appropriations	–	–	–	–	–	–	–	–
– Section 24 PF & AA – transfers of functions between departments	–	–	–	–	–	–	–	–
– Section 26 PF & AA – Commonwealth specific purpose payments	–	–	31,548	31,548	–	–	–	–
	1,052,930	1,052,843	976,640	976,640	1,035,756	1,032,262	884,925	884,925
Other Appropriations/Expenditure								
– Treasurer's Advance	7,308	5,444	19,380	17,244	12,984	12,984	–	–
– Section 22 expenditure for certain works and services	4,500	4,500	–	–	–	–	8,526	8,526
– Transfers from another agency (Section 25 of the Appropriation Act)	–	–	–	–	–	–	–	–
– Reduction in Commonwealth specific purpose payments	–	–	–	(23,954)	–	–	–	–
– Section 22A (2) Motor Vehicles Taxation Act (hypothecation of motor vehicle tax)	19,877	19,877	–	–	12,704	12,704	–	–
– Section 225 Roads Act (hypothecation of heavy vehicle overloading fines)	–	–	–	–	380	380	–	–
– Transfer between Capital & Recurrent Appropriations	2,576	2,576	(2,576)	(2,576)	10,769	10,769	(10,769)	(10,769)
	34,261	32,397	16,804	(9,286)	36,837	36,837	(2,243)	(2,243)
Total Appropriations/Expenditure/Net Claim on Consolidated Fund	1,087,191	1,085,240	993,444	967,354	1,072,593	1,069,099	882,682	882,682
Amount drawn down against Appropriation	–	1,085,240	–	967,354	–	1,069,099	–	882,682
Liability to Consolidated Fund	–	–	–	–	–	–	–	–

The Summary of Compliance is based on the assumption that Consolidated Fund moneys are spent first.

Consolidated funding for the RTA's Roads Program is classified as recurrent and capital appropriation based upon the way in which the appropriations are expended. The Program, as part of its appropriation, receives all the revenue from motor vehicle taxes in accordance with the Motor Vehicles Taxation Act, with the level of the funds from the motor vehicle taxes not known until 30 June each year.

Notes to and forming part of the Financial Statements For the Year Ended 30 June 2002

I Summary of Significant Accounting Policies

(a) Reporting Entity

The Roads and Traffic Authority (RTA), as a reporting entity, is responsible for the development and maintenance of the state road network, road safety and road user management, traffic and transport management and administration of the M4/M5 Cashback Scheme.

The reporting entity is consolidated as part of the NSW Total State Sector and as part of the NSW Public Accounts, except in regard to the reporting of Land Under Roads.

(b) Basis of Accounting

The RTA's financial statements are a general purpose financial report which has been prepared on an accruals basis and in accordance with:

- applicable Australian Accounting Standards;
- other authoritative pronouncements of the Australian Accounting Standards Board (AASB);
- Urgent Issues Group (UIG) Consensus Views;
- the requirements of the Public Finance and Audit Act 1983 and Regulations; and
- the Financial Reporting Directions published in the Financial Reporting Code (FRC) for Budget Dependent General Government Sector Agencies or issued by the Treasurer under Section 9(2)(n) of the Public Finance & Audit Act.

Where there are inconsistencies between the above requirements, the legislative provisions have prevailed.

In the absence of a specific Accounting Standard, other authoritative pronouncement of the AASB or UIG Consensus View, the hierarchy of other pronouncements as outlined in AAS 6 'Accounting Policies' is considered.

Except for certain investments, land and buildings and infrastructure systems, which are recorded at valuation, the financial statements are prepared in accordance with the historical cost convention.

The accounting policies adopted, with the exception of the amount of accruals which now includes GST, are consistent with those of the previous year.

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

(c) Administered Activities

The RTA administers, but does not control, the collection of various fees, fines and levies on behalf of the Crown Transactions Entity. Monies collected on behalf of the Crown Transactions Entity are not recognised as the RTA's revenues but are separately disclosed in the Program Statement – Expenses and Revenues. The RTA is accountable for the transactions relating to those administered activities but does not have the discretion, for example, to deploy the resources for the achievement of its own objectives.

Expenses incurred in collecting monies on behalf of the Crown Transactions Entity are recognised as the RTA's expenses and are reported within the Road Safety and Road User Management Program.

The accrual basis of accounting and all applicable accounting standards have been adopted for the reporting of administered revenues.

(d) Revenue Recognition

Revenue is recognised when the RTA has control of the good or right to receive, it is probable that the economic benefits will flow to the RTA and the amount of the revenue can be reliably measured. Additional comments regarding the accounting policies for the recognition of revenue are provided below:

(i) Parliamentary Appropriations and Contributions from other Bodies.

Parliamentary appropriations and contributions from other bodies (including grants and donations) are generally recognised as revenues when the RTA obtains control over the assets comprising the appropriations and contributions. Control over appropriations and contributions is normally obtained upon the receipt of cash.

The split between recurrent and capital appropriations is based on the way the appropriations are to be spent.

In relation to the right to receive infrastructure assets, the recognition is on a progressive basis relative to the contract period.

(ii) Sale of Goods and Services

Revenue from the sale of goods and services comprises revenue from the provision of products or services, ie: user charges. User charges are recognised as revenue when the RTA obtains control of the assets that result from them.

(iii) Investment Income

Interest revenue is recognised as it accrues. Rent revenue is recognised in accordance with AAS 17 'Accounting for Leases'.

(e) Employee Entitlements

(i) Salaries and Wages, Annual Leave, Sick Leave and Oncosts

Liabilities for salaries, wages and annual leave are recognised and measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date.

Sick leave accrued by employees of the RTA is all non-vesting and 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 entitlements accrued in the future.

The outstanding amounts of payroll tax and fringe benefits tax, which are consequential to employment, are recognised as liabilities and expenses where the employee entitlements to which they relate have been recognised. Workers compensation that may be applicable to leave entitlements has not been recognised as this expense is based on actual premiums paid, determined from past claims history, and not as a general percentage raised on salaries and wages.

(ii) Long Service Leave and Superannuation

Long service leave is measured on a nominal basis. The nominal method is based on the remuneration rates at year end for all employees with five or more years of service together with an estimate for employees with less than five years service, based on the percentage who are expected to remain employed by the RTA long enough to be entitled to long service leave. It is considered that this measurement technique produces results not materially different from the estimate determined by using the present value basis of measurement.

The superannuation expense for the financial year is determined by using the formulae specified in the Treasurer's Directions. The expense for certain superannuation schemes (ie Basic Benefit and First State Super) is calculated as a percentage of the employees' salary. For other superannuation schemes (ie State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions. The final expense is adjusted at 30 June each year to take account of any actuarial assessment.

(f) Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred (except where they are included in the costs of qualifying assets).

(g) Insurance

The RTA's insurance is arranged through the NSW Treasury Managed Fund Scheme as a self insurance scheme for Government agencies. The premiums are determined by the Fund Manager based on past experience and risk exposures. CTP Insurance is arranged with a private sector provider by the NSW Treasury. The RTA, from October 2001, introduced a Principal Arranged Insurance Scheme which provides cover for all parties involved in its construction projects. This will ensure that these parties have appropriate insurance covers in place.

An outstanding liability also exists in respect of the former Department of Motor Transport self-insured scheme.

Notes to and forming part of the Financial Statements For the Year Ended 30 June 2002

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

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

- The amount of GST incurred by the RTA as a purchaser that is not recoverable from the Australian Taxation Office (ATO) is recognised as part of the cost of acquisition of an asset or as part of an item of expense.
- Receivables, payables, accruals and commitments are stated with the amount of GST included.

(i) Acquisitions of Assets

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the RTA. Cost is determined as the fair value of the assets given as consideration plus the costs incidental to the acquisition.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition.

Fair value means the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value at the acquisition date. The discount rate used is the incremental borrowing rate, being the rate at which a similar borrowing could be obtained.

(j) Asset Management Policy

The RTA's asset valuation and depreciation policies are summarised below.

Plant and equipment costing \$5000 and above individually are capitalised.

In accordance with Treasury policy, the RTA has applied the AASB 1041 'Revaluation of Non-Current Assets' transitional provisions for the public sector and has elected to continue to apply the same revaluation basis, while Treasury's policy on fair value is finalised. It is expected, however, that in most instances the current valuation methodology will approximate fair value.

The recoverable amount test has not been applied as the RTA is a not-for-profit entity whose service potential is not related to the ability to generate net cash inflows.

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

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

Revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.

(i) Plant and Equipment

Asset	Valuation policy	Depreciation policy
Plant, Equipment & Vehicles (Minimum capital value \$5,000)	Written down historic cost	Depreciated on the straight line method over the estimated useful life of between 5 & 20 years.
Computer Hardware and Software (Minimum capital value of \$500 and \$5,000 respectively)	Written down historic cost	Depreciated on the straight line method over the estimated useful life of between 3 & 5 years.
Electronic Office Equipment (Minimum capital value \$5,000)	Written down historic cost	Depreciated on the straight line method over the estimated useful life of 5 years.

The written down historic cost is considered to reflect the fair value of these assets.

Depreciation and valuation policies in respect of operational assets are subject to annual review. Estimates of useful life for depreciation purposes have been determined with due regard to a number of factors including the expected retention period by the entity and the underlying physical, technical and commercial nature of the assets as defined in AAS4. In accordance with this standard the shortest alternative useful life is applied. Approximately [\$132.502 million] 53.4% (2000–2001; [\$88.944 million] 34.4%) of the RTA's assets in the categories of plant, equipment, vehicles, computer hardware and software and electronic office equipment are fully depreciated. The increase in the ratio of fully depreciated assets to total assets arose from the writing off of obsolete assets following a review of operational assets during the migration to the new Integrated Management System (IMS). A complete review/revaluation of operational assets will be carried out during 2002–03.

(ii) Land and Buildings

Asset	Valuation policy	Depreciation policy
Land & Buildings in Service – Works Administration Properties – Officers Residences	Land and buildings in service are generally valued at value in use (land) and written down replacement cost (buildings). Where such properties are rented externally they are valued at current market value.	Buildings – Depreciated on the straight line method over the estimated useful life of 40 years.
Land & Buildings Acquired for Future Roadworks – Rentable or Surplus Properties – Vacant land	– Current Market Value – Average Rateable Value Per Hectare of Urban and Rural Areas within each Local Government Area (LGA).	No depreciation charged as buildings are not purchased to generate revenue but ultimately to be demolished for roadworks.
Leasehold Improvements (Minimum capital value \$5,000)	Written down historic cost/revalued amount.	Amortised over the period of the lease, or the useful life of the improvement to the RTA, whichever is shorter.

Included in the value of land and buildings in service is an amount of \$8.706 million (2000–2001; \$7.330 million) for buildings on Crown land. As the RTA effectively 'controls' this Crown land, it has been included in the RTA's Statement of Financial Position. Should such Crown land be transferred or disposed of, associated buildings are written off in the year the transfer or disposal takes place.

The RTA's land and buildings are valued by registered valuers on a progressive basis. To accord with the requirements of AASB 1041 'Revaluation of Non-Current Assets', the RTA values its land and buildings over a 3 year progressive time frame.

(iii) Infrastructure systems

Asset	Valuation policy	Depreciation policy
Roads		
– Earthworks	Written down replacement cost	Depreciated over estimated useful life of 100 years
– Pavement	Written down replacement cost	Depreciated over estimated useful life dependant on pavement surface 15 years (unsealed) 20–40 years (flush seal/asphalt) 40–50 years (concrete)
Bridges	Written down replacement cost	Depreciated over estimated useful life dependant on bridge type
– Timber structures		60 years
– Concrete structures		100 years
– Steel structures		100 years
– X Trusses (timber and steel)		60 years
– High value bridges		200 years
– Bridge size culverts/tunnels		100 years
Traffic signals	Written down replacement cost	Depreciated over estimated useful life of 20 years
Traffic control network	Written down replacement cost	Depreciated over estimated useful life of
– Traffic systems		7 years
– Transport Management Centre		10 years
Land under roads and within road reserves	Average rateable value per hectare of urban and rural areas within each Local Government Area (LGA)	No depreciation applied as land does not have a limited useful life

The RTA, being responsible for the development and management of the State's road network, has recognised the control aspect of some infrastructure assets and the ownership of other infrastructure assets when formulating policy in respect of the valuation and reporting of infrastructure.

Roads opened to traffic during any year are brought to account in that year using unit replacement rates calculated by the RTA's Road Network Infrastructure branch. The use of unit replacement rates results in differences between actual cost and that calculated by the unit replacement rates method. The sum of these differences is disclosed in the New Road Cost Adjustment item. Bridges and traffic signals and related equipment constructed during any year are brought to account in that year at construction cost. In subsequent years until the next revaluation year, the assets are maintained at construction cost (unit replacement rates cost for roads), indexed to movements in the Road Cost Index. After revaluation these assets are included with other infrastructure assets and subject to the valuation policies outlined below.

The valuation policies provide for roads, bridges and the traffic signal control network, comprising the traffic control network and the traffic signal network, to be valued using the modern equivalent replacement cost method. Each road is assigned a value which equates to the cost of replacing that road to a modern equivalent asset and discounting the estimated value of modern features, such as noise walls, not present in the existing asset. In the case of

bridges, such replacement cost is the cost to construct a new bridge to the modern standard. High value bridges are valued on an individual basis. The replacement cost of the traffic control network is based on the current cost to replace the SCATS system computers and peripherals. The replacement cost of the traffic signal network is the cost to reconstruct each site using the number and current cost of lanterns and electronic controllers at each site as the major components to determine the replacement cost.

The determination of unit replacement rates for road, bridge and traffic control signal infrastructure valuations is carried out at least every five years by suitably qualified engineering contractors and employees of the RTA. Assets are recorded initially at construction cost and the annual percentage increase in the Road Cost Index is applied each year until the following unit replacement review is undertaken. Subsequent to the review, infrastructure is valued using the unit replacement rates, adjusted by the Road Cost Index as applicable. Unit replacement rates for roads and traffic signals were reviewed during 1999–00. High value bridges and bridge size culverts were also revalued during 1999–00. Unit replacement rates for bridges were reviewed during 1998–99.

Notes to and forming part of the Financial Statements

For the Year Ended 30 June 2002

Following the change from condition based to straight line depreciation of infrastructure in 1999–2000, major rehabilitations of road works are capitalised. The RTA capitalised \$71.565 million (2000–2001, \$74.600 million) of such works. As the capitalisation of the major rehabilitation works was not brought to account in 1999–2000, an adjustment of \$104.416 million was made in 2000–2001 against maintenance expenditure as indicated in the table below.

	2002 \$M	2001 \$M
RTA maintenance expenditure	693.686	645.726
Less:		
– Major rehabilitation capitalised	71.565	74.600
– Adjustment for major rehabilitation capitalised – 1999–00	–	104.416
Maintenance expenditure disclosed in Statement of Financial Performance	622.121	466.710

As roads are valued using unit replacement rates, a difference may arise between the actual cost of major rehabilitation and the calculated asset value using unit replacement rates. This difference is captured in the New Roads Cost Adjustment, in which the differences are accumulated and depreciated until the next road revaluation is undertaken. The written down value of the New Roads Cost Adjustment is then taken into account when the next full road revaluation is carried out.

The next road revaluation is scheduled for 2004–2005.

In respect of land under roads and within road reserves, valuations are assessed according to the average rateable value per hectare of urban and rural areas within each Local Government Area. Such valuations, which are undertaken annually by the RTA's registered valuers, are based upon the data provided by the Local Government Grants Commission and the Valuer General.

Major works-in-progress are valued at construction cost and exclude the cost of land, which is currently disclosed as land under roads.

Accounting Standard AAS4 – 'Depreciation of Non Current Assets' outlines factors to be considered in assessing the useful life of an asset for depreciation purposes. These factors include wear and tear from physical use and technological and commercial obsolescence.

Road assets are depreciated on the straight-line basis in accordance with AAS 4 'Depreciation of Non Current Assets'. The road assets are considered to consist of two components, pavement and non-pavement (comprising earth-works and road furniture), each with a corresponding useful service life.

Depreciation is calculated for each of the current 17,000 (approximately) road management segments and aggregated for each road and pavement type. Bridge assets are assessed by bridge type and depreciation is calculated on a straight line basis.

The respective provisions for depreciation of infrastructure assets recognise the total accumulated depreciation of those assets on a straight-line basis over the assessed useful life of those assets as at 30/6/2002.

For the year ended 30 June 2002, fully depreciated road segments totalled 6303 with a replacement value of \$3,363.861 million, being 10.54% of the road asset class (2000–2001; 6217 segments, \$3,150.780 million, 10.4%).

A review of bridge infrastructure assets was undertaken by Bridge Branch during the year. The review involved measurement of deck areas, location of bridges and culverts not previously included in the Bridge Register and examination of bridge valuation and effective service lives.

Following the review, there were no fully depreciated bridge assets as at 30 June 2002 (2000–2001, 180 bridges, \$189.354 million, 3.75%).

(iv) Private Sector Provided Infrastructure

The RTA has recognised an infrastructure asset in respect of the Sydney Harbour Tunnel. It has been valued at the estimated current written down replacement cost of the Tunnel at the date of transfer to the RTA in 2002 (refer Note 12 (b)).

In respect of the M2, M4, and M5 Motorways and the Eastern Distributor, the RTA values each right to receive asset by reference to the RTA's emerging share of the written down replacement cost of each asset apportioned over the respective period of the concession agreement.

(v) Cultural collection assets

Cultural Collection items which can be reliably valued have been recognised as assets.

Other Cultural Collection items are disclosed by way of a note.

(vi) Leased assets

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

Where a non-current asset is acquired by means of a finance lease, the asset is recognised at its fair value at the inception of the lease. The corresponding liability is established at the same amount. Lease payments are allocated between the principal component and the interest incurred.

Operating lease payments are charged to the Statement of Financial Performance in the periods in which they are incurred.

(k) Maintenance and Repairs

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

(l) Receivables

Receivables are recognised and carried at cost, based on the original invoice amount less a provision for any uncollectable debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

(m) Provision of Material Assets

No material assets were provided free of charge to the RTA during the 2001–02 financial year. However, at a small number of locations, Crown land was provided at peppercorn rentals.

(n) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost is calculated using the weighted average cost. Inventories consist mainly of raw materials and supplies used for the construction and maintenance of roads, bridges and traffic signals.

(o) Investments

Due to the short-term nature of the RTA's investments, book, face and market values are equivalent. Investments held are not quoted on a stock exchange.

Revaluation increments and decrements are recognised in the Statement of Financial Performance.

(p) Capitalisation of Expenditure

Expenditure (including employee related costs and depreciation) in respect of road development and reconstruction, bridge and tunnel replacement and some road safety and traffic management works are capitalised as part of Infrastructure Systems.

(q) Payables

These amounts represent liabilities for goods and services provided to the RTA and other amounts, including interest. Interest is accrued over the period it becomes due.

(r) Interest Bearing Liabilities

All loans are valued at current capital value. Any finance lease liability is determined in accordance with AAS17 'Leases'.

(s) Financial Instruments

Financial Instruments give rise to positions that are a financial asset or liability of the RTA and a financial liability or asset of another party. The RTA includes cash at bank, receivables, creditors and borrowings as financial instruments. In accordance with AAS33 'Presentation and Disclosure of Financial Instruments', information is disclosed in Note 15 in respect of the credit risk and interest rate risk of those instruments. All such amounts are carried in the accounts at values as disclosed within each of the respective notes to the accounts relating to those financial instruments.

(t) Budgeted amounts

The budgeted amounts are drawn from the budgets as formulated at the beginning of the financial year and with any adjustments for the effects of additional appropriations under s21A, s24 and/or s26 of the Public Finance and Audit Act 1983.

The budgeted amounts in the Statement of Financial Performance and the Statement of Cash Flows are generally based on the amounts disclosed in the NSW Budget Papers (as adjusted above). However, in the Statement of Financial Position, the amounts vary from the Budget Papers, as the opening balances of the budgeted amounts are based on carried forward actual amounts ie per the audited financial statements (rather than carried forward estimates).

2 Expenses

The RTA capitalises a significant portion of expenditure, including employee related costs and depreciation, to Infrastructure Systems.

(a) Employee Related Expenses

Employee related expenses comprise the following specific items:

	2002 \$M	2001 \$M
Salaries and wages (including annual leave)	363.015	358.884
Long Service Leave	20.295	13.619
Superannuation	103.592	92.796
Workers Compensation Insurance	9.318	10.463
Payroll Tax and Fringe Benefits Tax	24.601	24.354
Other	10.234	7.403
	531.055	507.519

Of the total employee related expenses, \$151.517 million (2000–2001; \$95.055 million) was capitalised to infrastructure and \$163.144 million (2000–2001; \$176.144 million) is attributable to maintenance with the balance of \$216.394 million (2000–2001; \$236.320 million) attributable to other operating programs.

In respect of superannuation, \$32.578 million related to the accrued liability recognised as payroll oncost; with an increase of \$71.014 million attributable to actuarial adjustments and interest.

A total expense of \$30.290 million in relation to superannuation has been included in the expenditure capitalised to infrastructure assets.

(b) Other Operating Expenses

	2002 \$M	2001 \$M
Registry Customer Services*	88.885	73.155
Driver and Vehicle Management*	30.358	26.339
Road Safety*	57.426	38.228
Traffic and Transport*	66.598	65.949
Ensured Revenue Stream Payments	29.941	33.077
SHB Toll Collections*	10.755	6.151
M4/M5 Cashback Scheme	55.520	42.453
Other	20.988	20.654
	360.471	306.006

*These expense categories exclude employee related expenses and depreciation incurred in providing these services.

The following key expense items are included in other operating expenses, infrastructure maintenance expenses and infrastructure system assets as appropriate.

(i) Auditor's Remuneration

During 2001–2002 an expense of \$0.454 million (2000–2001; \$0.454 million), excluding GST, was incurred for the audit of the financial statements by The Audit Office of NSW. There were no special audits provided during 2001–2002 by the NSW Audit Office (2000–2001; \$Nil million).

(ii) Cost of sales

During 2001–2002 the cost incurred in relation to the sale of goods was \$15.756 million (2000–2001; \$7.216 million).

(iii) Bad and doubtful debts

The bad and doubtful debts expense for 2001–2002 amounted to (\$0.209) million (2000–2001; \$1.189 million).

(iv) Operating lease rental expense

The operating lease rental expenses relate to Property, IT Equipment and Light Motor Vehicles.

Total rental expenses in respect of property operating leases for 2001–2002 amounted to \$20.831 million (2000–2001; \$16.855 million). For IT Equipment total expenses for operating leases in 2001–2002 was \$32.284 million (2000–2001; \$27.172 million) with expenses for Light Motor Vehicles operating leases being \$20.117 million in 2001–2002 (2000–2001; \$18.443 million).

(v) Insurance

Insurance costs (excluding workers compensation) for 2001–2002 amounted to \$18.171 million (2000–2001; \$18.013 million).

Notes to and forming part of the Financial Statements

For the Year Ended 30 June 2002

(c) Maintenance

Maintenance expenditure relates to the maintenance of roads, bridges and the traffic signal control network and includes employee related costs. Major rehabilitation of road segments are capitalised and as such not charged against maintenance expenditure. The RTA capitalised \$71.565 million of such works (2000–2001 \$74.600 million) – refer Note 1(j)(iii).

The RTA expended \$60.382 million in 2001–2002 (2000–2001; \$34.517 million) on natural disaster restoration works from State funds. Some \$2.162 million (2000–2001; \$1.259 million) was also spent on natural disaster restoration works on National Highways during the year. The total cost of natural disaster restoration work in 2001–2002 was \$62.544 million (2000–2001; \$35.776 million), which was included as part of maintenance expenditure.

(d) Depreciation and Amortisation

(i) Operational Assets

Total depreciation raised against operational assets during 2001–2002 amounted to \$9.983 million (2000–2001; \$15.000 million). Of this amount, \$3.993 million (2000–2001; \$6.000 million) was capitalised, with the balance of \$5.990 million (2000–2001; \$9.000 million) related to operating activities. In addition, operational assets were written down by \$5.590 million in 2001–2002 (2000–2001; \$0.458 million).

(ii) Infrastructure Systems

During 2001–2002 depreciation brought to account for infrastructure systems amounted to \$493.969 million (2000–2001, \$303.578 million). – refer Note 11(b). In addition, infrastructure assets were written down by \$3.875 million in 2001–2002 (2000–2001, Nil).

(e) Grants and subsidies

	2002 \$M	2001 \$M
Capital grants – to councils for regional roads	16.165	11.016
Grants under Road Safety Program	8.698	5.493
Other	3.179	2.877
	28.042	19.386

(f) Borrowing Costs

	2002 \$M	2001 \$M
Interest	72.648	74.091
Debt guarantee	3.000	3.000
Amortisation of premium/discount on borrowings	8.916	9.273
	84.564	86.364

3 Revenues

(a) Sale of goods and services

	2002 \$M	2001 \$M
Sale of goods		
– Number plates	40.248	27.064
– Other	2.292	3.869
Rendering of services		
– Third party insurance data access charges	8.761	9.115
– Toll revenue (Sydney Harbour Bridge)	66.466	55.005
– Eastern Distributor	–	8.000
– Registry fees & charges	17.729	10.851
– Work for outside bodies	36.322	26.729
– Other	9.342	11.994
	181.160	152.627

(b) Investment income

	2002 \$M	2001 \$M
Interest	3.494	1.464
Rent	18.230	16.932
	21.724	18.396

(c) Retained taxes, fees and fines

	2002 \$M	2001 \$M
Heavy vehicle permit fees	0.696	0.659
Sanction fees	5.220	4.688
	5.916	5.347

(d) Grants and Contributions

	2002 \$M	2001 \$M
NSW Government Agencies		
– Department of Transport	10.000	14.000
– Crown transactions entity	40.000	12.254
– Other	12.425	5.481
Local Government	0.720	1.133
Other Government agencies	4.350	3.665
Private firms & individuals	6.301	4.240
	73.796	40.773

(e) Other Revenue

	2002 \$M	2001 \$M
Revaluation of infrastructure systems		
– Land Under Roads and within Road Reserves (refer Note 7)	–	34.103
– Traffic Signals	–	6.339
Value of emerging interest of private sector provided infrastructure		
– M2 (Refer Note 12 (b))	3.981	10.315
– M4 (Refer Note 12 (b))	0.829	14.074
– M5 (Refer Note 12 (b))	6.066	9.187
– Eastern Distributor (Refer Note 12 (b))	8.451	7.520
– Loan to Sydney Harbour Tunnel Company (refer Note 10 (b))	5.967	5.795
	25.294	87.333

4 Gain/(loss) on disposal of non-current assets

	2002 \$M	2001 \$M
Gain on sale of property, plant & equipment		
– Proceeds from sale	37.358	33.482
– Written down value of assets sold	31.101	30.232
Net gain/(loss) on sale of non-current assets	6.257	3.250

Proceeds from asset sales in 2000–01 were offset by expenses incurred of \$3.101 million in connection with the sale of surplus properties. In 2001–02, the proceeds from sales are shown at the gross amount.

5 Conditions on contributions

Contributions received during 2001–2002 were recognised as revenue during the financial year and were expended in that period with no balance of those funds available at 30 June 2002.

6 Appropriations

	2002 \$M	2001 \$M
Recurrent Appropriation		
Total drawdowns from Treasury (per Summary of Compliance)	1,085.240	1,069.099
Less: Liability to Consolidated Fund (per Summary of Compliance)	–	–
Total (as per Statement of Financial Performance)	1,085.240	1,069.099
Capital Appropriation		
Total drawdowns from Treasury (per Summary of Compliance)	967.354	882.682
Less: Liability to Consolidated Fund (per Summary of Compliance)	–	–
Total (as per Statement of Financial Performance)	967.354	882.682

Notes to and forming part of the Financial Statements

For the Year Ended 30 June 2002

7 Individually significant items

	2002 \$M	2001 \$M
Revaluation of infrastructure systems		
– Land under roads and within road reserves	–	(34.103)
	–	(34.103)

Individually significant items relating to the revaluation of Infrastructure Systems were reclassified as Other Revenue in the Statement of Financial Performance in 2001. In respect of Land Under Roads and Within Road Reserves, valuations are assessed according to the average rateable value per hectare of urban and rural areas within each Local Government Area. Such valuations are based upon the data provided by the Local Government Grants Commission and the Valuer General. A portion of the revaluation increment was taken through the Operating Statement to offset decrements of previous years in 2001. The total revaluation of Land Under Roads and Within Road Reserves amounted to \$1,034.458 million – refer Note 12 (b) and in 2002 has been taken to Reserves.

Increase – (Reduction) in Superannuation Expense due to Tax, Actuarial and Interest Adjustments.	71.014	59.810
	71.014	59.810

An actuarial assessment of RTA's unfunded superannuation liability was undertaken during 2001–2002 and resulted in an increase in the superannuation expense of \$71.014 million – refer Note 16.

8 Programs/activities of the agency

(a) Road Network Infrastructure

Network development

Description – Planning, designing, scheduling and organising the development of road and bridge works.

Objectives – To develop the State's Road network focusing on strategic routes to promote economic growth, improve road safety, encourage greater use of public transport and meet environmental targets.

Maintenance

Description – Manage the primary arterial road network infrastructure as a long-term renewable asset through a program of maintenance and reconstruction works. Provide financial assistance grants to Local Government to assist Councils manage their secondary arterial road network. Manage the provision of disaster repairs for public roads.

Objective – To maintain the RTA's roads and bridges as the first priority at a minimum whole of life cost to ensure reliability, safety and retained value. Support Councils' management of their secondary arterial road network.

(b) Road safety and road user management

Description – Implementing initiatives to increase safe road use behaviour; ensure that drivers and cyclists are eligible and competent, ensure that vehicles meet road worthiness and emission standards, and ensure that a high standard of customer service is maintained.

Objective – To reduce the trauma and cost to the community of road deaths and injuries. To reduce adverse impacts of vehicles on roads and the environment. To ensure compliance with driver licensing and vehicle registration requirements.

(c) Traffic and transport

Description – Improving road network performance through traffic control systems, managing incidents and route management strategies. Providing priority access for buses, improving facilities for cyclists and pedestrians and maintaining traffic facilities assets.

Objective – To maximise the efficiency of moving people and goods by better managing the road network and encouraging people to use alternative forms of transport to the motor car.

(d) M4/M5 Cashback Scheme

Description – Reimbursing motorists directly for the toll component paid using Cashback Cards and Electronic Toll Tags on the M4 and M5 Motorways when driving NSW privately registered cars and motorcycles.

Objective – To reimburse tolls to motorists driving NSW privately registered vehicles on the M4 and M5 Motorways.

9 Current assets – cash

The cash balance comprises:

	2002 \$M	2001 \$M
RTA operating account	36.045	10.488
Remitting account, cash in transit & cash on hand	26.667	26.290
Tcorp – hour glass facility	26.271	0.421
On call deposits	4.332	3.598
Other	0.459	0.423
	93.774	41.220

10 Current assets/non-current assets – Receivables

The RTA's receivables are detailed as follows:

(a) Current

	2002 \$M	2001 \$M
Sale of Goods and Services	25.073	15.779
Goods and Services Tax – Claimable from the Commonwealth	18.335	15.473
Other (including cost recoveries relating to motor vehicle accident damage to RTA property and road clearing)	1.636	1.716
	45.044	32.968
Less: Provision for doubtful debts	1.745	2.370
	43.299	30.598
Unissued debtors	27.084	3.449
Dishonoured credit cards	0.236	0.067
	70.619	34.114
Accrued Income		
– Interest	0.334	0.154
– Property sales	11.162	14.967
– Other	1.640	2.358
Total current	83.755	51.593

Most of the RTA's doubtful debts relate to amounts owing as a result of commercial transactions (eg, debts raised for performance of services or goods) and tenants who vacate premises without notice whilst in arrears.

(b) Non-Current

Non-Current receivables are summarised as follows:

	2002 \$M	2001 \$M
Loan to Sydney Harbour Tunnel Company	59.758	53.791
Promissory notes	0.864	0.617
Other loans	0.390	–
	61.012	54.408

Repayment of the interest free \$222.6 million Net Bridge Revenue Loan by the Sydney Harbour Tunnel Company is due on 31 December 2022. The Loan has been assessed as recoverable as at 30 June 2002 and the receivable is valued on a Net Present Value (NPV) basis.

The loan is considered to be part of the RTA's interest in the Tunnel and, as at 30 June 2002, has been assessed at \$59.758 million (30/6/2001; \$53.791 million).

Promissory Notes relate to amounts receivable under the Private Sector Road Toll agreement in respect of the M2 Motorway and the Eastern Distributor. The promissory notes are redeemable at the earlier of the achievement of certain Internal Rate of Return (IRR) or the end of the respective concession period. The redeemables are valued on a Net Present Value (NPV) basis. See note 12 (b).

11 Non current assets – Land & buildings, plant & equipment

This asset category consists of Land & Buildings; Plant and Equipment and Infrastructure Systems.

	2002 \$M	2001 \$M
Land and Buildings		
– At valuation	2,806.251	2,445.478
– Accumulated depreciation	11.078	8.866
	2,795.173	2,436.612
Plant and Equipment		
– At cost	248.248	258.858
– Accumulated depreciation	161.839	177.358
	86.409	81.500
Infrastructure Systems		
– At Cost	1,415.894	1,057.224
– At valuation	61,434.053	58,343.474
	62,849.947	59,400.698
Accumulated depreciation	11,970.424	11,488.257
	50,879.523	47,912.441
Total property, plant and equipment and infrastructure systems at net book value	53,761.105	50,430.553

Notes to and forming part of the Financial Statements
For the Year Ended 30 June 2002

(a) Land & Building and Plant & Equipment

At cost or valuation	Works administration properties & officers residences land \$M valuation	Works administration properties & officers residences buildings \$M valuation	Land & buildings acquired for future roadworks \$M valuation	Leasehold improvements \$M valuation	Total \$M valuation	Plant equipment and motor vehicles \$M cost	Computer hardware and software \$M cost	Electronic office equipment \$M cost	Total \$M cost
Balance 1 July 2001	74.528	109.103	2,252.215	9.632	2,445.478	159.793	91.528	7.537	258.858
Additions	0.068	9.535	132.530	0.095	142.228	3.224	28.379	0.039	31.642
Disposals	–	–	(30.700)	(1.160)	(31.860)	(9.684)	(31.545)	(0.473)	(41.702)
Reclassifications	(1.349)	(8.948)	2.490	7.807	–	(0.006)	0.006	–	–
Adjustments/WIP	–	(0.032)	–	–	(0.032)	(0.715)	–	–	(0.715)
Transfer to infrastructure	–	–	(40.894)	–	(40.894)	–	–	–	–
Reval. on transfers	–	–	95.219	–	95.219	–	–	–	–
Revaluations	6.689	9.383	157.471	–	173.543	–	–	–	–
Asset write down	–	–	–	–	–	–	–	–	–
Prior years adjustment	–	–	22.569	–	22.569	0.165	–	–	0.165
Balance 30 June 2002	79.936	119.041	2,590.900	16.374	2,806.251	152.777	88.368	7.103	248.248
Accumulated depreciation									
Balance 1 July 2001	–	6.070	–	2.796	8.866	91.955	79.178	6.225	177.358
Depreciation expense	–	4.097	–	2.357	6.454	7.557	2.464	0.469	10.490
Write back on disposal	–	(0.032)	–	(1.160)	(1.192)	(1.799)	(23.728)	(0.482)	(26.009)
Revaluation	–	(3.050)	–	–	(3.050)	–	–	–	–
Prior years adjustments	–	–	–	–	–	–	–	–	–
Balance 30 June 2002	–	7.085	–	3.993	11.078	97.713	57.914	6.212	161.839
Written down value									
As at 30 June 2002	79.936	111.956	2,590.900	12.381	2,795.173	55.064	30.454	0.891	86.409
As at 1 July 2001	74.528	103.033	2,252.215	6.836	2,436.612	67.838	12.350	1.312	81.500

Land and buildings for future roadworks comprise untenanted land for road works (average rateable value – \$1,846.147 million), surplus properties (market value – \$374.587 million), of which properties with an estimated value of up to \$40 million could be disposed of during 2002–03, and rentable properties (market value – \$370.166 million).

(b) Infrastructure Systems

Infrastructure systems are valued as follows:

	2002 \$M	2001 \$M
Roads – Written Down Replacement Cost		
Opening Balance – Replacement Cost	30,270.738	29,311.947
Add: Rehabilitation Capital Expenditure – see Note 1(j)(iii)	–	74.600
Additions	1,829.570	–
Deletions	(1,827.504)	–
Add: New Roads at unit replacement rates	570.334	232.153
Inflation Adjustment	1,062.245	652.038
Revaluation	–	–
Closing Balance	31,905.383	30,270.738
Less: Accumulated Depreciation		
Opening Balance	10,003.238	9,755.127
Inflation (RCI) adjustment	(1.129)	–
Current Year Expense – Rehab.	–	1.130
Current Year Expense	410.196	246.981
	10,412.305	10,003.238
Roads – Written Down Value	21,493.078	20,267.500
Roads & Bridges – New Work Adjustment	378.922	–
Land Under Roads and Within Road Reserves		
Opening Balance	22,252.805	20,682.199
Transfer in from 'Land and Buildings acquired for Future Roadworks'	40.894	331.164
Revaluation	1,034.458	1,239.442
Total Land under Roads and Within Road Reserves	23,328.157	22,252.805
Bridges – Written Down Replacement Cost		
Opening Balance – Replacement Cost	5,044.566	4,928.516
Add: New Bridges at cost	556.558	–
Inflation Adjustment	351.965	–
Net Additions	–	116.050
Less Deletions	(15.564)	–
Closing Balance	5,937.525	5,044.566
Less: Accumulated Depreciation		
Opening Balance – Replacement Cost	1,444.523	1,402.590
Current Year Expense	60.615	41.933
Write Back on Disposal	(11.803)	–
	1,493.335	1,444.523
Bridges – Written Down Value	4,444.190	3,600.043

**Notes to and forming part of the Financial Statements
For the Year Ended 30 June 2002**

b) Infrastructure Systems (cont)

	2002 \$M	2001 \$M
Traffic Signals Network – Written Down Replacement Cost		
Opening Balance – Replacement Cost	215,749	211,259
Add: New Traffic Signals	7,475	3,029
Less: Traffic Signals Deleted	(0,114)	(4,878)
Revaluation	–	6,339
Closing Balance	223,110	215,749
Less: Accumulated Depreciation		
Opening Balance	31,337	20,550
Adjustment to Prior Year Depreciation – Note 11(b)	10,400	–
Current Year Expense	11,092	10,787
	52,829	31,337
Traffic Signals Network – Written Down Value	170,281	184,412
Traffic Control Network – Written Down Replacement Cost		
Opening Balance – Replacement Cost	21,908	21,387
Inventory Adjustment	0,656	–
Add: Additions	2,102	0,521
Less: Deletions	(0,207)	–
Closing Balance	24,459	21,908
Less: Accumulated Depreciation		
Opening Balance	9,159	6,412
Current Year Expense	2,795	2,747
	11,954	9,159
Work-in-Progress	15,418	9,521
Traffic Control Network – Written Down Value	27,923	22,270
Major Works in Progress		
Opening Balance	1,585,411	1,017,630
Add: Additions	750,067	567,781
Less: Transfers out on completion	(1,298,506)	–
Major Works in Progress	1,036,972	1,585,411
Total Infrastructure Systems	50,879,523	47,912,441

The network was improved during the year with a number of major projects being opened to traffic. These included South West Freeway M5 East (King Georges Road to General Holmes Drive), Princes Highway, interchange with MR611 at Oak Flats, Pacific Highway, reconstruction from Coolongolook to Wang Wauk & Windsor Road, reconstruction from Henry Road to Curtis Road.

The depreciation expense in respect of roads \$410.196 million (2000–2001; \$248.111 million) reflects the loss of service potential based on straight-line depreciation methodology.

The major reasons for the increase in depreciation expense of roads in 2002 were due to:

- adjustment to the replacement value of roads using the Road Cost Index, and addition of new works.
- A new asset category, Roads and Bridges – New Work Adjustment, was created to record expenditure that was capitalised but not reflected in the asset valuation of roads and bridges. This expenditure will be depreciated annually until the assets are subject to a full revaluation.

Traffic signals and most bridges, were subject to a full revaluation in 1998–99. High value bridges and all bridge size culverts were revalued in 1999–00. Unit replacement rates for roads and traffic signals were reviewed in 1999–00.

Recalculation of accumulated depreciation and current year depreciation of the Traffic Signal Network assets indicated that errors had occurred in the calculation of depreciation in the prior years. The correction to accumulated depreciation required an adjustment (increase) of \$10.400 million.

(c) Cultural Collection Assets

At 30 June 2002 Cultural Collection Assets, including original art works, have been brought to account at a value of \$0.044 million (2000–01 \$0.040 million).

Other Cultural Collection items, including prints, drawings and artifacts, were also identified as being under the control of the RTA, but could not be reliably valued.

I2 Current/non current assets – Other**(a) Current**

These comprise:

	2002 \$M	2001 \$M
Prepayments	1.681	1.992
	1.681	1.992

(b) Non-Current

The RTA's Other Non Current Assets are represented by Private Sector Provided Infrastructure and prepaid superannuation contributions as follows:

	2002 \$M	2001 \$M
Sydney Harbour Tunnel		
Carrying amount at start of year	516.880	516.880
Revaluation	25.091	–
Carrying amount at end of year	541.971	516.880
M2 Motorway		
Carrying amount at start of year	36.526	26.211
Less: M2 Widening Adjustment – Prior Years	(5.483)	–
Adjusted carrying amount at start of year	31.043	26.211
Annual Increment – Emerging Right to Receive	12.608	10.315
Sub Total	43.651	36.526
Less: M2 Widening Adjustment – Current Year	(3.144)	–
Carrying amount at end of year	40.507	36.526
M4 Motorway		
Carrying amount at start of year	76.730	62.657
Less: M4 Widening Adjustment – Prior Years	(11.242)	–
Adjusted carrying amount at start of year	65.488	62.657
Annual Increment – Emerging Right to Receive	18.518	14.073
Sub Total	84.006	76.730
Less: M4 Widening Adjustment – Current Year	(6.447)	–
Carrying amount at end of year	77.559	76.730
M5 Motorway		
Carrying amount at start of year	67.184	57.998
Less: Concession Period Adjustment – Prior Years	(6.045)	–
Adjusted carrying amount at start of year	61.139	57.998
Annual Increment – Emerging Right to Receive	12.937	9.186
Sub Total	74.076	67.184
Less: Concession Period Adjustment – Current Year	(0.826)	–
Carrying amount at end of year	73.250	67.184
Eastern Distributor		
Carrying amount at start of year	11.517	3.997
Annual Increment – Emerging Right to Receive	8.451	7.520
Carrying amount at end of year	19.968	11.517
	753.255	708.837
Prepaid Superannuation Contributions		
Carrying amount at start of year	–	2.800
Additions	–	–
	–	2.800
Reduction due to Actuarial Assessment	–	2.800
Carrying amount at end of year	–	–
	753.255	708.837

Notes to and forming part of the Financial Statements For the Year Ended 30 June 2002

Sydney Harbour Tunnel

The RTA's interest in the Sydney Harbour Tunnel has been valued based on the RTA's right to the time share of its ownership, total service potential and remaining useful life at the date of its transfer to the RTA in 2022. At the date of this transfer, the value will equate to the current written down replacement cost of the Tunnel. The cost of constructing the Tunnel was \$683.3 million. The current written down replacement cost of the Tunnel is \$541.971 million (June 2001; \$516.880 million).

In separately classifying the Sydney Harbour Tunnel as an infrastructure asset, the RTA recognises that the contractual arrangements relating to the Tunnel are unique.

The construction of the Tunnel was financed by 30 year inflation linked bonds issued by the Sydney Harbour Tunnel Company to the private sector in the amount of \$486.7 million, Sydney Harbour Tunnel Company shareholders' loans (repaid in 1992) of \$40 million, and an interest free, subordinated loan (the Net Bridge Revenue Loan) provided by the RTA of \$222.6 million, based on the projected net toll revenue from the Sydney Harbour Bridge during the construction period. Under the Ensured Revenue Stream Agreement (ERS), the Government has agreed to make ERS payments (net of tolls collected from the Tunnel) to enable the SHTC to meet financial obligations arising from the operation and maintenance of the Tunnel and repayment of principal and interest on funds borrowed by it for the design, construction and operation of the Tunnel.

During the year ended 30 June 2002, tolls collected from the Tunnel amounted to \$35.814 million (2000–2001; \$29.243 million). These tolls were applied to the financial obligations of the Tunnel and resulted in a reduction in ERS payments from \$76.563 million to \$40.749 million (2000–2001; \$72.451 million to \$43.208 million).

NSW Treasury guidelines on the valuation of non-current assets state that asset revaluations must be conducted at least every five years. Revaluations were effected in 1994 and 1999, the Tunnel being revalued using the RTA's Road Cost Index. The RTA however now revalues the Tunnel each year. Based on movements in the Road Cost Index during the 2001–2002 reporting period, the RTA's interest in the Tunnel was \$541.971 million at 30 June 2002, which equated to an increase in the value of the Tunnel during 2001–2002 of \$25.091 million (2000–2001, Nil).

M2 Motorway

To facilitate the financing, design and construction of the Motorway, the RTA leased land detailed in the M2 Motorway Project Deed for the term of the Agreement.

Until the project realises a real after tax internal rate of return of 12.25 per cent per annum, the rent is payable, at the Lessee's discretion, in cash or by promissory note. On achievement of the required rate, the rent is payable in cash. Under the terms of the lease, the RTA must not present any of the promissory notes for payment until the earlier of the end of the term of Agreement or the achievement of the required rate of return.

Payments for the rents for the Trust Lease and the Trust Concurrent Lease for the year ended 30 June 2002 have been made by promissory notes in the value of \$6.359 million and \$1.590 million respectively. The RTA, as at 30 June 2002, has received promissory notes for rent on the above leases totalling \$44.042 million. The term of the Agreement ends on the forty fifth anniversary of the M2 commencement date (ie. 26 May 2042), subject to the provisions of the M2 Motorway Project Deed. The net present value of these promissory notes, as at 30 June 2002, is \$0.335 million.

The RTA has, from the date of completion of the M2 Motorway on 26 May 1997, valued the asset by reference to the RTA's emerging share of the written down replacement cost of the asset at date of handback over the concession period.

Under the terms of the Project Deed, ownership of the M2 Motorway will revert to the RTA on the earlier of the achievement of specified financial returns outlined in the Deed or 45 years from the M2 Commencement Date of 26 May 1997. The conservative period of 45 years has been used to calculate the RTA's emerging share of the asset.

Internal information provided during the year ended 30 June 2000 indicated that an additional \$174 million had been expended by Hills Motorway Limited on widening the M2 Motorway. This amount was being brought to account as an emerging right to receive over the balance of the M2 Motorway concession period. Investigation of private sector provided infrastructure details for the year ended 30 June 2002 revealed that the \$174 million was RTA expenses related to property purchases and that no widening had taken place, nor was proposed. The emerging right to receive brought to account for the M2 Widening to 30 June 2002 totalled \$8.627 million (\$3.144 million current year, \$5.483 million prior years). In accordance with AASB 1018 'Statement of Financial Performance', the reversal of amounts previously brought to account for the M2 Widening has been recognised as an expense for the 2001–2002 reporting period. This adjustment has the effect of reducing the total emerging right to receive earned in the current year from \$12.608 million to \$3.981 million.

M4 and M5 Motorways

The RTA has valued the infrastructure assets in respect of the M4 and M5 Motorways by reference to the RTA's emerging share of the written down replacement cost of each asset apportioned over the period of the respective concession agreement.

Internal information provided during the year ended 30 June 2000 indicated that \$90 million had been expended by Statewide Roads Limited on widening the M4 Motorway. This amount was being brought to account as an emerging right to receive over the balance of the M4 Motorway concession period. Investigation of private sector provided infrastructure details for the year ended 30 June 2002 revealed that \$20 million of the total related to the widening of the private sector operated section of the M4, with the \$70 million balance being RTA expenditure on RTA operated sections of the Motorway. The emerging right to receive brought to account for the M4 Widening to 30 June 2002 totalled \$22.742 million of which \$17.689 million was in respect of RTA operated sections (\$6.447 million current year, \$11.242 million prior years). In accordance with AASB 1018 'Statement of Financial Performance', the reversal of amounts previously brought to account for the M4 Widening but which were RTA expenditure has been recognised as an expense for the 2001–2002 reporting period. This adjustment has the effect of reducing the total emerging right to receive earned in the current year from \$18.518 million to \$0.829 million.

Ownership of the M4 Motorway and M5 Motorway will revert to the RTA in 2010 and 2023 respectively. The initial concession period for the M5 Motorway was for the period 14 August 1992 to 14 August 2022. In consideration for Interlink Roads undertaking construction of an interchange at Moorebank (M5 Improvements), the initial concession period has been extended by 1.11 years to 23 September 2023. The emerging right to receive brought to account for the M5 Motorway during the period 14 August 1992 to 30 June 2002 totalled \$80.122 million. The extension of the concession period by 1.11 years means, in effect, that the previous calculations of the emerging right to receive have been over-estimated by \$6.871 million (\$0.826 million current year, \$6.045 million prior years).

In accordance with AASB 1018 'Statement of Financial Performance', the revision of the emerging right to receive in respect of the M5 Motorway has been recognised as an expense for the 2001–2002 reporting period. The effect of this adjustment was to reduce the total emerging right to receive earned in the current year from \$12.937 million to \$6.066 million.

The M5 Motorway Call Option Deed provides that if, after at least 25 years from the M5 Western Link commencement date of 26 June 1994, the RTA determines that the expected financial return has been achieved, the RTA has the right to purchase either the business from ILR or the shares in ILR from Infrastructure Trust of AustralAsia Ltd (ITA) and the Commonwealth Bank of Australia (CBA). The exercise price under the M5 Call Option Deed will be based on open market valuation of the business or shares.

Eastern Distributor

An agreement was signed with Airport Motorway Limited (AML) in August 1997 to finance, design, construct, operate, maintain and repair the Eastern Distributor. Work commenced in August 1997, with the road to be open to traffic before the Sydney Olympics in September 2000. The Eastern Distributor was opened to traffic on 18 December 1999.

In consideration of the RTA granting to AML the right to levy and retain tolls on the Eastern Distributor, AML is required to pay concession fees in accordance with the Agreement. From the date of Financial Close, which occurred on 18 August 1997, AML has paid \$75 million by way of promissory notes (being \$15 million on Financial Close and \$15 million on each of the first,

second and third anniversaries of Financial Close). A further \$2.2 million was received in cash six months after Financial Close and \$8 million in cash on the third anniversary of Financial Close. Under the Agreement, the promissory notes show a payment date (subject to provisions in the Project Deed) of 31 December 2042 and, as at 30 June 2002, the promissory notes have a net present value of \$0.529 million.

Under the terms of the Project Deed, ownership of the Eastern Distributor will revert to the RTA on the earlier of the achievement of specified financial returns outlined in the Deed or 48 years from the Eastern Distributor Commencement Date of 18 December 1999. The conservative period of 48 years has been used to calculate the RTA's emerging share of the asset.

13 Current liabilities – Payables

	2002 \$M	2001 \$M
Trade Creditors	131.595	52.673
Creditors Arising from Compulsory Acquisitions	11.714	2.489
Accrued Expenses		
– Works Contract Expenditure	91.412	107.626
– Work Carried out by Councils	47.671	46.415
– Interest	15.725	15.321
– Other (Including Non Works Contracts)	77.020	44.774
Other	0.322	0.696
	375.459	269.994

14 Current/non-current liabilities – Interest bearing liabilities

	2002 \$M	2001 \$M
Current		
Tcorp Borrowings	110.771	234.693
Other	–	–
	110.771	234.693
Non-Current		
Tcorp Borrowings	956.094	852.443
Other	1.514	1.900
	957.608	854.343

Loan Borrowings are due as follows:

	Face Value \$M	Unamortised Expense \$M	Adjusted Book Value \$M
Semi-Government Loans			
Within 1 year***	112.012	1.241	110.771
Between 1 and 2 years	211.766	2.633	209.133
Between 1 and 5 years	202.471	18.136	184.335
After 5 years	552.273	(10.353)	562.626
	1,078.522	11.657	1,066.865

The weighted average interest rate on the Semi-Government loan portfolio as at 30 June 2002 is 6.83% (30 June 2001; 6.91%).

Come and Go Facility.

The original 'Come and Go' Facility was extinguished on 31 December 2001. A new facility was commenced in March 2002 for cash management purposes but was not utilised during 2001–02.

	2002 \$M	2001 \$M
Other Loan Borrowings		
Repayable within 1 year	–	–
Between 1 and 5 years	0.178	–
After 5 years	1.336	1.900
	1.514	1.900

Notes to and forming part of the Financial Statements

For the Year Ended 30 June 2002

15 Financial instruments

(a) Interest Rate Risk

Interest rate risk is the risk that the value of the financial instruments will fluctuate due to changes in market interest rates. The RTA's exposure to interest rate risks and the effective interest rates of financial assets and liabilities at the balance sheet date are as follows:

Financial Instrument	Floating Interest Rate		Fixed Interest Rate						Non Interest Bearing		Total carrying amount as per Balance Sheet		Weighted average effective Interest Rate	
	2001	2002	1 Year or less		Over 1 to 5 years		More than 5 years		2001	2002	2001	2002	2001	2002
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	2001	2002
Financial Assets														
Cash	26.425	52.550	-	-	-	-	-	-	10.353	10.162	36.778	62.712	-	-
Receivables	-	-	-	-	-	-	-	-	103.489	142.793	103.489	142.793	-	-
Treasury Corp Hourglass	0.401	26.271	-	-	-	-	-	-	-	-	0.401	26.271	6.00%	4.60%
Futures Margin	-	-	-	-	-	-	-	-	0.020	0.000	0.020	0.000	-	-
On call Deposits	3.598	4.332	0.423	0.339	-	-	-	-	0.000	0.120	4.021	4.791	6.00%	4.60%
Total – Financial Assets	30.424	83.153	0.423	0.339	0.000	0.000	0.000	0.000	113.862	153.075	144.709	236.567	-	-
Financial Liabilities														
Borrowings														
– Treasury Corp	0.497	-	84.196	110.771	534.043	393.468	318.400	562.626	-	-	937.136	1,066.865	6.91%	6.85%
– Tcorp Come & Go	150.000	-	-	-	-	-	-	-	-	-	150.000	0.000	6.00%	-
– Other	-	-	-	-	-	0.178	1.900	1.336	-	-	1.900	1.514	6.54%	6.54%
Creditors	0.309	0.359	-	-	-	-	-	-	50.144	97.678	50.453	98.037	-	-
Contract Security Deposits	-	-	-	-	-	-	-	-	1.149	1.735	1.149	1.735	-	-
Total – Financial Liabilities	150.806	0.359	84.196	110.771	534.043	393.646	320.300	563.962	51.293	99.413	1,140.638	1,168.151	-	-

(b) Credit Risk

Credit Risk is the risk of financial loss arising from another party to a contract or financial obligation. The RTA's maximum exposure to credit rate risk is represented by the carrying amounts

of the financial assets net of any provisions for doubtful debts included in the Balance Sheet. The repayment of the Sydney Harbour Tunnel Loan ranks behind all creditors to be paid. Redemption of the M2 and Eastern Distributor promissory notes is dependent upon counterparties generating sufficient cash flows to enable the face value to be repaid.

Financial Assets	Banks		Governments		Other		Total	
	2001	2002	2001	2002	2001	2002	2001	2002
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Cash	26.425	52.550	-	-	10.353	10.162	36.778	62.712
Receivables	-	-	17.952	25.078	85.537	117.715	103.489	142.793
Investments	4.021	30.603	0.421	0.120	-	0.339	4.442	31.062
Total – Financial Assets	30.446	83.153	18.373	25.198	95.890	128.216	144.709	236.567

(c) Net Fair Values

The carrying value of debtors, investments, creditors and borrowings approximate net fair value. The future cash flows of the Sydney Harbour Tunnel loan and M2 and Eastern Distributor promissory notes are discounted using standard valuation techniques at the applicable yield having regard to the timing of the cash flows.

16 Current/non-current liabilities – Employee entitlements and other provisions

	2002 \$M	2001 \$M
Current		
Superannuation	33.110	34.307
Annual Leave	28.741	27.279
Long Service Leave	8.674	7.987
Accrued Employee Related Costs	7.438	9.906
Voluntary Redundancies	0.125	2.887
	78.088	82.366
Non-Current		
Superannuation	248.048	175.837
Long Service Leave	119.858	108.431
Workers Compensation (Liability under the former Department of Motor Transport self-insured scheme)	0.655	0.675
	368.561	284.943
Total Employee Entitlements	446.649	367.309

The Government Actuary completed an assessment of the Gross Superannuation Liabilities for the defined benefits schemes administered by the SAS Trustee Corporation for the year ended 30 June 2002, identifying the unfunded superannuation liability of the RTA. The assessment was based on the full requirements of AAS25 which requires that a 'market determined risk adjusted discount rate' be applied as the valuation interest rate in the calculation on the value of the accrued benefits. A review of the key economic assumptions used in the 1998 valuation was undertaken prior to calculating the gross superannuation liability of the various defined benefit schemes as at 30 June 2002.

The economic assumptions used are as follows:

	2002–2003 %	2003–2004 %	Thereafter %
% Rate of Investment Return	7.0	7.0	7.0
Rate of Salary Increase (*)	6.5	4.0	4.0
Rate of Increase in the CPI	2.5	2.5	2.5

(*) A promotional scale also applies.

This assessment resulted in the RTA's unfunded superannuation liability being increased by \$71.014 million.

Payments are made by the RTA to the Superannuation Administration Authority (SAA) to reduce the superannuation liability and during 2001–2002 these totalled \$33.110 million (2000–2001; \$34.307 million). These payments are held in Investment Reserve Accounts.

The unfunded liability disclosed in the Statement of Financial Position is composed of:

	SASS \$M	SANCS \$M	SSS \$M	Total 2002 \$M	Total 2001 \$M
Gross Liability Assessed by Actuaries as at 30 June 2002	198.678	48.334	414.513	661.525	626.496
Less: Investment Reserve Account Balance (including actuarial, tax and interest adjustments)	53.285	39.432	287.651	380.368	416.352
Unfunded Liability	145.393	8.902	126.862	281.157	210.144

Notes to and forming part of the Financial Statements

For the Year Ended 30 June 2002

17 Current/non-current liabilities – Other

	2002 \$M	2001 \$M
Current		
Statutory Creditors	13,412	13,085
Principal Outstanding on Bonds Issued to Private Sector	11,533	10,808
Unearned Rent on M4 and M5 Motorways	3,082	3,108
Income Received in Advance	5,160	5,184
Holding Accounts	10,865	9,705
Suspense Items	0,086	0,231
	44,138	42,121
Non-Current		
Principal Outstanding on Bonds Issued to Private Sector	384,122	395,655
Unearned Rent on M4 and M5 Motorways	29,821	32,876
	413,943	428,531

Liabilities are stated with the amount of GST included, including GST on accruals. The net amount of GST recoverable from the Australian Taxation Office is included as part of receivables in the Statement Of Financial Position.

The liability in respect of the Sydney Harbour Tunnel has been recognised at the Net Present Value (NPV) of the Ensured Revenue Stream Agreement (ERS). This has been calculated at \$395.655 million (2000–2001; \$406.463 million), being the principal outstanding as at 30 June 2002 on the bonds issued by the Sydney Harbour Tunnel Company to the private sector.

Under the M4 lease agreement, \$46.615 million was received from Statewide Roads Pty Ltd (SWR) as rent in advance. In accordance with generally accepted accounting principles, this revenue is brought to account over the period of the lease. This treatment is summarised as follows:

	2002 \$M	2001 \$M
Rent earned in prior years	26,122	23,747
Rent earned in current year	2,374	2,374
Unearned rent as at 30 June 2002	18,119	20,494
	46,615	46,615

The land acquisition loan of \$22,000 million, based on the cost of land under the M5 originally purchased by the RTA, was repaid in June 1997 by Interlink Roads Pty Ltd (ILR). The repayment of the loan is considered to be a prepayment of the remaining rental over the period of the concession agreement. In accordance with AAS 17, this revenue is brought to account over the period of the lease.

In consideration for ILR undertaking construction of an interchange at Moorebank (M5 Improvements) on the M5 Motorway, the original concession period (to 14 August 2022) has been extended by 1.11 years to 23 September 2023.

This treatment is summarised as follows:

	2002 \$M	2001 \$M
Rent earned in prior years	6,509	5,776
Rent earned in current year	0,707	0,733
Unearned rent as at 30 June 2002	14,784	15,491
	22,000	22,000

In accordance with AASB 1018 'Statement of Financial Performance', the revision of the prior years' rental of \$0.024 million has been recognised as an expense for the 2001–2002 reporting period, reducing rent earned for the current period from \$0.731 million to \$0.707 million.

18 Changes in equity

	Accumulated Funds		Asset Revaluation		Total Equity	
	2002 \$M	2001 \$M	2002 \$M	2001 \$M	2002 \$M	2001 \$M
Balance at the beginning of the financial year	38,149.757	37,250.809	10,950.208	9,036.811	49,099.965	46,287.620
Surplus/Deficit for year	545.725	831.685	–	–	545.725	831.685
Increment/Decrement on:						
– Land & Buildings	–	–	294.326	271.336	294.326	271.336
– Authority Infrastructure	–	–	2,473.755	1,709.324	2,473.755	1,709.324
Adjustment to opening balance for change in accounting policy for depreciation	–	–	–	–	–	–
Transfers from Asset Revaluation Reserve for asset disposals	579.320	67.263	(579.320)	(67.263)	–	–
Balance at the end of the financial year	39,274.802	38,149.757	13,138.969	10,950.208	52,413.771	49,099.965

19 Commitments for expenditure

(a) Operating Lease Commitments

Operating Lease Commitments relate to Property, IT Equipment and Light and Heavy Motor Vehicles. Operating lease commitments are not recognised in the financial statements as liabilities.

In respect of Property Leases, the RTA has various lessors with leases which have specific lease periods ranging from 1 year to 20 years.

The Property Operating Lease Commitments are as follows:

	2002 \$M	2001 \$M
Not later than 1 year	19.865	20.367
Later than one year and not later than 5 years	46.192	52.533
Later than 5 years	19.586	25.544
	85.643	98.444

IT Equipment Operating Leases have been negotiated with Dell Computer Pty Ltd, Fujitsu Australia Ltd, and Macquarie IT Pty Ltd.

The IT Equipment Operating Lease Commitments are as follows:

	2002 \$M	2001 \$M
Not later than 1 year	41.184	11.809
Later than one year and not later than 5 years	37.763	13.616
Later than 5 years	–	–
	78.947	25.425

The Light Motor Vehicle Lease is with State Fleet Services and is financed by Macquarie Bank. The lease is scheduled to cease in September 2008.

The Light Motor Vehicle Operating Lease Commitments are as follows:

	2002 \$M	2001 \$M
Not later than 1 year	22.440	19.800
Later than one year and not later than 5 years	89.760	79.200
Later than 5 years	28.050	44.550
	140.250	143.550

The Heavy Motor Vehicle Lease is held and financed with Orix. The lease is scheduled to cease in July 2007.

The Heavy Motor Vehicle Operating Lease Commitments are as follows:

	2002 \$M	2001 \$M
Not later than 1 year	0.161	–
Later than one year and not later than 5 years	0.630	–
Later than 5 years	0.001	–
	0.792	–

(b) Capital and Other Expenditure Commitments

	2002 \$M	2001 \$M
Payable no later than 1 year		
– Value of work to be completed on road and bridge contracts over \$100,000	237.948	408.033
– Plant, light vehicles, trucks	0.171	0.061
Payable later than 1, but not later than 5 years	41.403	103.506
Payable later than 5 years	4.243	2.177
	283.765	513.777

Capital and Other Expenditure Commitments for the year 2001–2002 have been combined as it was not possible to separate them.

Notes to and forming part of the Financial Statements For the Year Ended 30 June 2002

20 Contingent Assets

The total commitments detailed above include GST input tax credits of \$53.407 million (2000–2001; \$72.259) that are expected to be recoverable from the ATO.

21 Contingent Liabilities

There are some 7 claims (2000–2001; 7 claims) for damage or injury currently being litigated with an estimated total contingent liability to the RTA of \$1.210 million (2000–2001 \$1.025 million). There are also 6 significant contractual disputes (2000–2001; 5 disputes) with an estimated total contingent liability of \$49.112 million (2000–2001 \$33.026 million).

Any claims resulting from incidents which have occurred since 1 July 1989 are not included in the above figures as costs for such claims are now covered by the RTA's Insurance with the Treasury Managed Fund.

An additional liability could arise under Clause 4.1(c) of the Ensured Revenue Stream Agreement (ERS) if a taxation deduction for a claim for depreciation for the immersed tube section of the Tunnel is disallowed to the Sydney Harbour Tunnel Company. Under such circumstance the ERS provides for a renegotiation of the method by which ERS payments are calculated which could result in an increased liability to the RTA of between \$31 million and \$75 million over the period of the agreement to 2022.

22 Native Title

The Commonwealth's legislation (Native Title Act) and the New South Wales statute (Native Title (New South Wales) Amendment Act) have financial implications for New South Wales Government Agencies generally.

In this regard the RTA has undertaken an assessment of the impact on its financial position. This assessment indicates as at 30 June 2002 there were no Native Title claims, which had, been initiated against the RTA.

23 Budget review

Net cost of services

The actual net cost of services of \$1,506.9 million was \$68.6 million more than the budget, partly due an increase of \$59.9 million in depreciation of infrastructure systems.

Maintenance expenditure was higher than budget by \$21.6 million mainly due to expenditure on natural disaster works. The increases in expenditure were in part offset by higher than expected revenue. This increase in revenue related to the Sale of Goods and Services (\$19.0 million), Grants & Contributions (\$51.8 million), including funding for natural disaster restoration works (\$40.0 million).

Assets and Liabilities

Net assets have increased by \$5,059 million as compared to budget. This is principally due to an increase in the value of Infrastructure Systems (\$4,876 million), including a revaluation of \$2,474 million, which was not included in the budget.

The value of land and buildings held increased by \$304 million while current assets increased by \$115.6 million, mainly due to increases in cash of \$68.0 million and receivables of \$47.3 million.

The change in net assets is also impacted by an increase in total liabilities of \$257.1 million as compared to the budget. This is principally due to increases in payables of \$124.1 million and employee entitlements of \$131.1 million.

Cash Flows

Net cash flow from operating activities is \$220.2 million more than the budget primarily due to increases in cash flow from receipts (\$167.3 million) and from Government (\$54.6 million).

Net cash outflow in relation to investing activities is \$166.3 million more than the budget primarily due to higher than expected purchases of land & buildings, plant & equipment and infrastructure systems (\$175.2 million).

A variance of \$15.4 million in respect of the opening cash as compared to the budget has occurred due to the fact that the 2001–02 budget was prepared prior to the finalisation of 2000–2001 financial statements.

24 Reconciliation of cash flows from operating activities to net cost of services

	2002 \$M	2001 \$M
Net Cash used on Operating Activities	(1,179.845)	(1,013.412)
Depreciation and amortisation	508.875	312.578
Revaluation of Infrastructure	–	(40.442)
Adjustment to Maintenance for Road Rehabilitation	–	(104.416)
Increase in Provisions and Entitlements	77.340	65.765
Rent Revenue in respect of M4 and M5 Motorways	(3.081)	(3.108)
Value of Emerging Interest of Private Sector Provided Infrastructure	(25.294)	(46.891)
ERS payments utilised to redeem current principal portion of bonds issued to Private Sector	(11.533)	(10.808)
Increase in Payables and Other Liabilities	116.497	34.193
Decrease in Receivables and Other Assets	(31.892)	(22.352)
(Profit)/Loss on Sale of Assets	3.208	(2.792)
Contributions from Government	2,052.594	1,951.781
Net Cost of Services	1,506.869	1,120.096

END OF AUDITED FINANCIAL STATEMENTS

Supplementary Financial Information
For the Year Ended 30 June 2002

The Year in Brief 2001–2002

	Initial Budget \$M	Actual \$M
NEW FUNDS AVAILABLE		
Commonwealth		
National Highways	207	232
Roads of National Importance	103	99
Federation Fund	12	0
Australian Transport Safety Bureau – Blackspots Program	13	14
Other	10	14
Total Commonwealth	345	359
State		
Motor Vehicle Taxes	796	816
Consolidated Fund Allocation	677	693
Untied – Commonwealth Road Funds	131	131
M4/M5 Cashback Scheme	49	54
RTA Revenue	264	345
Total State	1,917	2,039
TOTAL NEW FUNDS	2,262	2,398
Use of Cash Balances	–	(42)
	2,262	2,356
Increase in Liabilities/Reduction in Operational Assets	27	140
Total Funds Utilised	2,289	2,496
EXPENDITURE		
Road Network Infrastructure		
– Network Development	903	951
– Infrastructure Maintenance	627	718
Traffic & Transport	228	244
Road Safety & Road User Management	373	418
Debt Servicing & Repayment	103	105
M4/M5 Cashback	50	56
Voluntary Redundancies	5	4
Total Expenditure	2,289	2,496

Supplementary Financial Information

For the Year Ended 30 June 2002

2001–2002 Budget

Funds budgeted to be available to the Roads and Traffic Authority for 2001–2002 as published in State Budget Paper No. 3 amounted to \$2,289 million. Variations to the initial budget were as follows:

	\$M	\$M
TOTAL INITIAL BUDGET	–	2,289
<i>Add:</i>		
Increase in Receipts		
Commonwealth Funds – National Highways, RONI's, ATSB Blackspot Program & Interstate Vehicle Registration Scheme.	36	–
Motor Vehicle Taxation	16	–
M4/M5 Cashback	4	–
Consolidated Fund Revenue	21	–
Authority Revenue	66	143
	–	2,432
<i>Less:</i>		
Decrease in Receipts	–	0
	–	2,432
<i>Less:</i>		
Decrease in use of Cash Balances	(2)	(2)
	–	2,430
<i>Less:</i>		
Decrease in Balance Sheet Movements	0	–
TOTAL REVISED BUDGET	–	2,430

Total funds available for 2001–2002 amounted to \$2,430 million and variances from the revised budget were as follows:

	\$M	\$M
TOTAL REVISED BUDGET	–	2,430
Increase in Receipts		
Commonwealth Funds – Interstate Vehicle Registration Scheme	2	–
Motor Vehicle Tax	4	–
Authority Revenue	15	21
	–	2,451
<i>Less:</i>		
Decrease in Receipts		
Commonwealth Funds RONI's & Federation Fund	24	–
Consolidated Fund Revenue	4	28
	–	2,423
<i>Add:</i>		
Increase in Balance Sheet Movements	113	113
	–	2,536
<i>Less:</i>		
Decrease in use of Cash Balances	40	40
ACTUAL TOTAL FUNDS AVAILABLE	–	2,496

The most significant variations between the revised budget and actual funds available were due to:

- an increase in Authority Revenue particularly for Plate Fees & Minor User Charges.
- increase in the balance sheet movements primarily relates to an increase in creditors and an actuarial adjustment to the liability for unfunded superannuation which was offset by an increase in debtors.

Commonwealth Grants

The Commonwealth Government provides road funding to New South Wales for the construction and maintenance of National Highways, upgrading Roads of National Importance and for a Road Safety Blackspots Program.

Funding received in 2001–2002 was \$231.5 million (2000–2001; \$210.6 million) for National Highways, \$99.1 million (2000–2001; \$96.4 million) for Roads of National Importance and \$13.7 million (2000–2001; \$13.1 million) for the Road Safety Blackspots Program.

Interstate Road Transport Act, 1985

The Interstate Road Transport Act, 1985 enables heavy vehicles to have Federal registration if they are not registered in a State or Territory and are involved only in interstate trade.

Under the Federal Scheme vehicle owners are required to pay either a flat rate or a charge based on distance travelled. The moneys are collected in NSW by the RTA on behalf of the Commonwealth and paid into the Interstate Road Transport Trust Fund. The proceeds are then distributed to the States as a contribution towards road repair and maintenance costs.

Funds received by the RTA under this scheme during 2001–2002 amounted to \$14.3 million (2000–2001; \$12.2 million).

State Sources

Motor Vehicle Taxation

Motor vehicle taxation, collected by the RTA when vehicles are registered, is hypothecated to the Roads Program. During 2001–2002 receipts from motor vehicle taxation totalled \$815.9 million (2000–2001; \$768.7 million).

Number of Registered Motor Vehicles in NSW:

Year	Number of motor vehicles registered*	% Change over previous year
1992–93	3,199,756	1.1(-)
1993–94	3,290,594	2.8(+)
1994–95	3,311,402	0.6(+)
1995–96	3,367,092	1.7(+)
1996–97	3,421,409	1.6(+)
1997–98	3,493,340	2.1(+)
1998–99	3,535,732	1.2(+)
1999–00	3,636,353	2.8(+)
2000–01	3,729,100	2.6(+)
2001–02	3,821,229	2.5(+)

*Excluding plant, tractors, trailers and caravans 1992–93 – 2001–2002 figures exclude vehicles on register without current registration

Contributions for Specific Works

The following contributions towards specific works were received during 2001–2002:

	\$M
State Government Departments for	
– General Purposes	23.253
– Sydney Harbour Bridge	3.522
Councils	0.720
Private Firms and Individuals	6.301
	33.796

Untied Commonwealth Road Grants

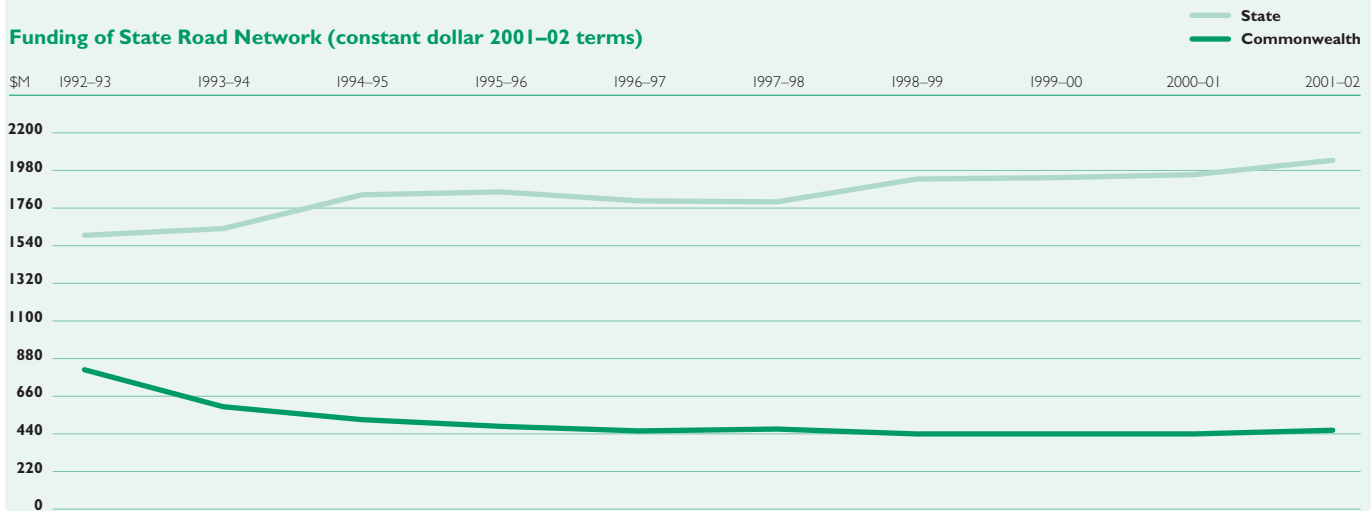
Since 1990–91, Commonwealth road funds have been provided to the States under the Australian Land Transport Development program. However, the Commonwealth decided that funds previously allocated for the State's arterial roads were to be untied from 1 January 1994 and were to be provided to the States under the heading of 'Identified Roads Grants within the General Revenue Assistance to the States'.

The basis of the distribution of these funds to the States has been transitioned from the proportions issued in 1993–94 to the proportions utilised in 2001–2002, when the untied funding was fully distributed in accordance with the Financial Assistance Grants (FAGs) formula.

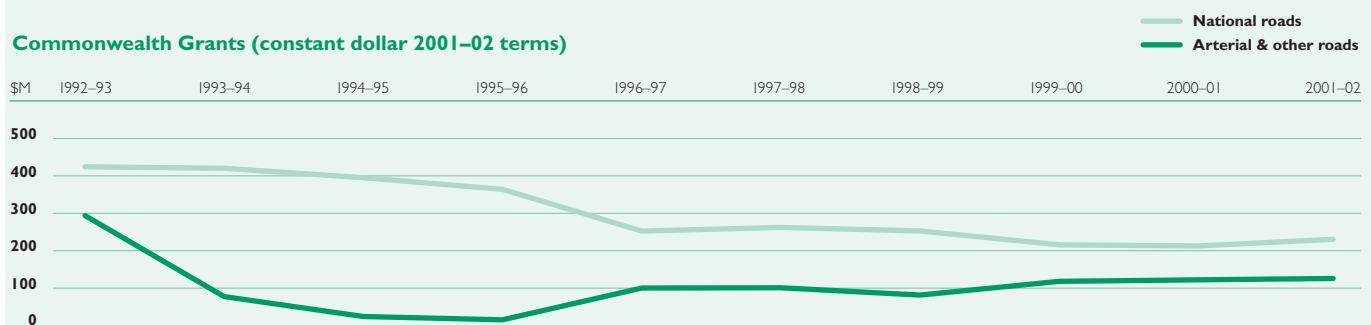
The Commonwealth Government untied road funding to NSW for 2001–2002 was \$130.6 million (2000–2001; \$127.4 million).

Supplementary Financial Information For the Year Ended 30 June 2002

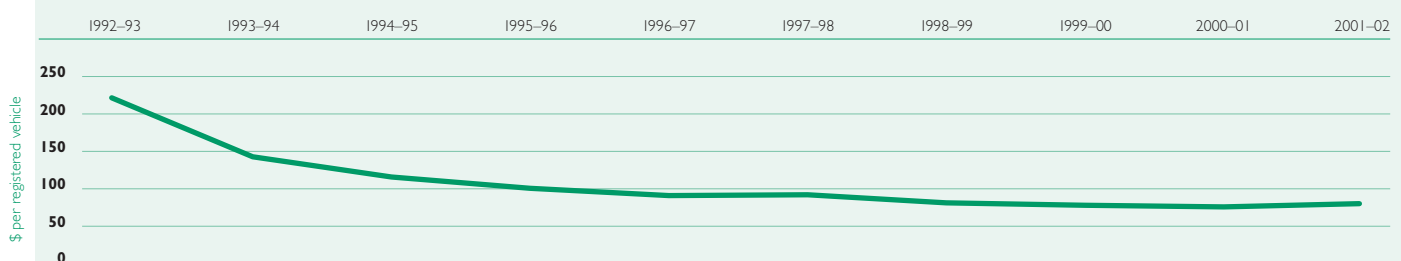
Funding of State Road Network (constant dollar 2001-02 terms)



Commonwealth Grants (constant dollar 2001-02 terms)



Commonwealth Grants per registered vehicle (constant dollar 2001-02 terms)



Road Cost Index

The Authority's Road Cost Index, which is used to adjust money values in various tables and graphs within this Annual Report, is shown in the table 'Roads and Traffic Authority Road Cost Index'.

The index, which has been specifically developed by the RTA, is widely accepted as a measure of change in the cost of roadworks, bridgeworks and traffic facilities. It is based upon changes in prices of samples within the broad elements of wages, stores, plant, haulage, corporate and regional administration, property acquisitions and financing costs. Each index component has been allocated a predetermined weighting which is reviewed at 3 to 4 yearly intervals to adjust for changes in the proportions used in RTA roadwork activities.

Roads and Traffic Authority Road Cost Index (Base Year – 1996-97)

	Index	% Increase/ (Decrease) over previous year
1992-93	91.07	(2.0)
1993-94	90.89	(0.2)
1994-95	92.62	1.9
1995-96	97.36	5.1
1996-97	100.00	2.7
1997-98	102.50	2.5
1998-99	107.00	4.4
1999-00	107.40	0.4
2000-01	109.00	1.5
2001-02	110.60	1.5

Payments to Councils

Payments made to local government councils during 2001–2002 were as follows:

	\$M	\$M
Classified Roads		
– Development	12.764	–
– Maintenance	230.876	–
– Vehicle Management	0.384	–
– Road Safety	26.097	
– Traffic Management	43.034	313.155
Local Roads		
– Natural Disasters	–	38.240
	–	351.395

Administered Revenues – Collections

The RTA administers, but does not control, the collection of various fees, fines and levies on behalf of the Crown Transactions Entity. Monies collected on behalf of the Crown Transactions Entity are not recognised as the RTA's revenues.

The RTA's Administered Revenue Collections are as follows:

	Total 2001–02 \$M	Total 2000–01 \$M
(A) Consolidated Fund Receipts		
Vehicle Registration Fees	174.299	168.836
Drivers Licence Fees	65.634	123.324
Vehicle Transfer Fees	30.629	29.923
Other Fees & Charges	19.174	18.213
Registration Levy	–	0.049
Total	289.736	340.345
(B) Collection – Other Authorities		
Unregistered Vehicle Permit (QBE)	4.066	4.205
Stamp duty	494.991	471.639
Interstate Road Transport Scheme receipt	5.304	4.839
Firearms licence fees	1.044	0.451
Security licence fees	0.519	0.548
Proof of age	0.773	0.736
Olympic plates	–	0.816
Centenary of federation plates	3.562	0.770
Other fees & charges	0.076	0.028
Total	510.335	484.032

Supplementary Financial Information
For the Year Ended 30 June 2002

The year ahead

2002–2003
 budget
 \$M

NEW FUNDS AVAILABLE

Commonwealth

National Highways	292
Roads of National Importance	91
Federation Fund	17
Australian Transport Safety Bureau Blackspots Program	14
Other	12

Total Commonwealth **426**

State

Motor Vehicle Taxes	847
Consolidated Fund Allocation	704
Untied Commonwealth Road Funds	134
M4/M5 Cashback Scheme	65
RTA Revenue	401

Total State **2,151**

TOTAL NEW FUNDS **2,577**

Increase in Liabilities/Reduction in Operational Assets 28

Total Funds Utilised **2,605**

EXPENDITURE

Road Network Infrastructure	
– Network Development	1,008
– Infrastructure Maintenance	722
Traffic & Transport	237
Road Safety & Road User Management	398
Debt Servicing & Repayment	170
M4/M5 Cashback	65
Voluntary Redundancies	5

Total Expenditure **2,605**