State Transit

2014-15 Annual Report

Volume 2

NSW GOVERNMENT | Transport State Transit

State Transit Authority of NSW

Audited Financial Statements - 30 June 2015

INDEPENDENT AUDITOR'S REPORT

State Transit Authority of New South Wales

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of State Transit Authority of New South Wales (the Authority), which comprise the statement of financial position as at 30 June 2015, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

Opinion

In my opinion, the financial statements:

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

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

The Chief Executive Officer's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

My opinion does *not* provide assurance:

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

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies, but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by the possibility of losing clients or income.

Peter Barnes
Financial Director of Audit

11 September 2015
SYDNEY

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State Transit Authority of NSW
Statement of comprehensive income
For the year ended 30 June 2015

	Note	2015 $'000	2014 $'000
Revenue			
Operational revenue	2	590,916	607,648
Other income	3	69,789	65,089
Total revenue		660,705	672,737
Expenses			
Fleet running expenses	4	(102,160)	(103,647)
Personnel services	5	(426,378)	(416,456)
Finance costs	6	(19,365)	(24,540)
General operating expenses	7	(93,143)	(95,208)
Total expenses		(641,046)	(639,851)
Surplus for the year	24	19,659	32,886
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Increment/(decrement) on revaluation of property, plant and equipment		7,847	14,230
Items that may be reclassified subsequently to profit or loss			
Impairment loss		(25)	-
Other comprehensive income for the year		7,822	14,230
Total comprehensive income for the year		27,481	47,116

The above statement of comprehensive income should be read in conjunction with the accompanying notes

State Transit Authority of NSW
Statement of financial position
As at 30 June 2015

	Note	2015 $'000	2014 $'000
Assets			
Current assets			
Cash and cash equivalents	8	3,042	4,068
Trade and other receivables	9	78,326	74,845
Inventories	10	8,640	8,654
Other	11	-	658
		90,008	88,225
Non-current assets classified as held for sale	12	89	131
Total current assets		90,097	88,356
Non-current assets			
Receivables	13	444,586	450,707
Property, plant and equipment	14	367,200	382,302
Intangibles	15	653	810
Total non-current assets		812,439	833,819
Total assets		902,536	922,175
Liabilities			
Current liabilities			
Trade and other payables	16	156,725	150,049
Financial liabilities	17	37,587	34,691
Provisions	18	1,341	1,223
Other	19	796	4,119
Total current liabilities		196,449	190,082
Non-current liabilities			
Financial liabilities	20	210,763	250,845
Provisions	21	588	606
Trade and other payables	22	199,125	212,512
Total non-current liabilities		410,476	463,963
Total liabilities		606,925	654,045
Net assets		295,611	268,130
Equity			
Reserves	23	204,510	198,850
Retained surpluses	24	91,101	69,280
Total equity		295,611	268,130

The above statement of financial position should be read in conjunction with the accompanying notes

State Transit Authority of NSW
Statement of changes in equity
For the year ended 30 June 2015

	Reserves $'000	Retained surpluses $'000	Total equity $'000
Balance at 1 July 2013	189,796	56,948	246,744
Adjustment for change in accounting policy	-	(25,730)	(25,730)
Balance at 1 July 2013 - restated	189,796	31,218	221,014
Surplus for the year	-	32,886	32,886
Other comprehensive income for the year	14,230	-	14,230
Total comprehensive income for the year	14,230	32,886	47,116
Transactions with members in their capacity as members:			
Asset revaluation reserve balance transferred to retained surpluses on disposal/transfer of assets	(5,176)	5,176	-
Balance at 30 June 2014	198,850	69,280	268,130

The Authority applied revised AASB 119 Employee Benefits retrospectively in 2013-14. The adjustment for change in accounting policy was $25.7M on opening retained surpluses as at 1 July 2013.

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

The above statement of changes in equity should be read in conjunction with the accompanying notes

	Note	2015 $'000	2014 $'000
Cash flows from operating activities			
Receipts from operations		628,713	584,603
Reimbursements from NSW Government		1,453	1,480
Other income		35,107	61,573
Interest received		29,509	30,029
Payments to suppliers		(628,523)	(636,323)
Interest paid and other finance costs		(19,441)	(25,504)
Net cash from operating activities	35	46,818	15,858
Cash flows from investing activities			
Purchases of property, plant and equipment		(44,391)	(51,884)
Proceeds from disposal of property, plant and equipment		86	14,699
Net cash used in investing activities		(44,305)	(37,185)
Cash flows from financing activities			
Repayment of borrowings		(37,437)	(39,925)
Proceeds from finance leases		33,898	28,340
Net cash used in financing activities		(3,539)	(11,585)
Net decrease in cash and cash equivalents		(1,026)	(32,912)
Cash and cash equivalents at the beginning of the financial year		4,068	36,980
Cash and cash equivalents at the end of the financial year	8	3,042	4,068

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Summary of significant accounting policies

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

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

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

The Authority's principal activities are the provision of bus services in metropolitan Sydney and bus and ferry services in Newcastle.

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

Basis of preparation

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

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

The Sydney Metropolitan Bus Service Contracts for the provision of bus services by the Authority in the Sydney metropolitan area came into effect from 01 July 2013 for a period of 5 years. The Outer Sydney Metropolitan Bus Service Contract to operate bus services in Newcastle came into effect from 01 July 2014 for a period of 3 years.

The financial statements have been prepared on a going concern basis which assumes that repayment of debts will be met as and when they fall due, without any intention or necessity to liquidate assets or otherwise wind up the operations. The operations and ability of the Authority to pay its debts are assured due to monthly payments for the bus service contracts from Transport for New South Wales (TfNSW).

All amounts are expressed in Australian currency.

Revenue recognition

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

Operational revenue

Operational revenue consists of revenue derived from fares, charters, reimbursement from NSW Government and from the bus service contracts.

Fares and charters revenue is recognised when the services have been provided. Revenue from bus service contract payments for services provided is recognised monthly.

Note 1. Summary of significant accounting policies (continued)

Other income
Interest income is recognised on a time proportion basis using the effective interest method.

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

Advertising income with regard to advertising rights on buses is recognised and accounted for on a monthly basis over the term of the contract.

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

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

In relation to trade receivables, the Authority minimises concentrations of credit risk by undertaking transactions with a large number of customers. The majority of trade debtors are concentrated in New South Wales in the newsagency business.

All prospective trade debtors are assessed for credit risks in granting appropriate credit limits. In general, the settlement term is set at no more than 21 days.

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

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

Non-current assets held for sale
These assets are recognised at the lower of carrying value and fair values less costs to sell and are not depreciated or amortised while they are classified as held for sale.

Note 1. Summary of significant accounting policies (continued)

Property, plant and equipment
The following policies apply to property, plant and equipment:

(i) Basis of valuation

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

The fair value of an asset is determined having regard to existing use and highest and best use on the basis of current market selling prices for the same or similar assets. Where market selling price is not available, the asset's fair value is valued at depreciated replacement cost. Depreciated replacement cost is determined by reference to the most appropriate modern, depreciated equivalent replacement asset that provides similar economic benefits.

For 2014/15 and subsequent financial years, TPP14-01 requires land to be revalued at least every three years and for all other classes of property, plant and equipment at least every five years or with sufficient regularity to ensure that the carrying amount of each asset in the class does not differ materially from its fair value at reporting date. Non-specialised assets with short useful lives are measured at depreciated historical cost, as a surrogate for fair value. When revaluing non-current physical assets, the gross amount and the related accumulated depreciation are separately restated.

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

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

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

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

(ii) Depreciation/Amortisation

Property, plant and equipment and intangibles, excluding freehold land and work-in-progress, are depreciated/amortised over their estimated useful lives as follows:

Freehold buildings and wharves	40 years
Plant and equipment	3-20 years
Intangibles	2-3 years
Buses	15-20 years
Ferries	41-42 years
Motor vehicles	4-10 years

Note 1. Summary of significant accounting policies (continued)

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

The assets' residual values, useful lives, amortisation and depreciation methods are reviewed, and adjusted if appropriate, at the end of each reporting period. Where some buses operate for a period exceeding 20 years, their depreciation rates are adjusted accordingly.

(iii) Capitalisation policy

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

(iv) Work-in-progress

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

(v) Leasehold improvements

The cost of leasehold improvements is amortised over the unexpired period of the lease or the estimated useful life of the improvement, whichever is the shorter.

(vi) Repairs & maintenance

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

(vii) Disposal policy

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

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

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

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

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

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

Note 1. Summary of significant accounting policies (continued)

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

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

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

Insurance

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

Provisions are made for future costs associated with liability claims occurring in the financial year. These provisions are assessed at their present value by independent actuaries. Recoveries due under insurance arrangements are treated as receivables.

Finance costs
All borrowing costs are expensed in the period in which they are incurred.

Provisions
Provisions are recognised when it is probable that the Authority has a present legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or events and a reliable estimate of the amount of the obligation can be made.

Personnel services
From the commencement of the Government Sector Employment Act 2013 on 24 February 2014 and the resulting abolition of the State Transit Authority Division (which had until then provided personnel service to the Authority), all employees employed under the State Transit Authority Division were transferred to Transport Service. The Authority has recognised a personnel services expense and a corresponding liability to Transport Service.

Accounting for Goods and Services Tax (GST)
Revenues, expenses and assets are recognised net of the amount of GST, except:

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

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

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

Finance leases
Where the Authority, as the lessor, transfers substantially all the risks and rewards of the ownership to another entity, the leased assets are recognised as current and non-current receivables at amounts equal to the net investment in the leases.

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

Note 1. Summary of significant accounting policies (continued)

Judgement, key assumptions and estimations

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that year or in the year of revision and previous years if the revision affects both.

Information about assumptions and estimation uncertainties are included in the following:

- Property, plant and equipment
- Provisions

Rounding of amounts

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

Statement of compliance

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

Early adoption of new or revised Accounting Standards/Interpretations: Australian Accounting Standards and Interpretations that have recently been issued or amended relevant to the Authority but are not yet effective have not been adopted for the financial reporting period ended 30 June 2015. The Authority's assessment of the impact of these new standards and interpretations is set out below:

AASB 9 Financial Instruments and its consequential amendments
This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2018 and completes phases I and III of the IASB's project to replace IAS 39 (AASB 139) 'Financial Instruments: Recognition and Measurement'. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. Chapter 6 'Hedge Accounting' supersedes the general hedge accounting requirements in AASB 139 and provides a new simpler approach to hedge accounting that is intended to more closely align with risk management activities undertaken by entities when hedging financial and non-financial risks. The Authority will adopt this standard and the amendments from 1 July 2018 but the impact of its adoption is yet to be assessed by the Authority.

AASB 14 Regulatory Deferral Accounts
This standard is applicable to annual reporting periods beginning on or after 1 January 2016. The objective of the standard is to specify the financial reporting requirements for regulatory deferral account balances that arise when an entity provides goods or services to customers at a price or rate that is subject to rate regulation so as to enhance the comparability of financial reporting by entities with rate-regulated activities. The adoption of this standard from 1 January 2016 will not have a material impact on the Authority.

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

Note 1. Summary of significant accounting policies (continued)

AASB 15 Revenue from Contracts with Customers
This standard is expected to be applicable to annual reporting periods beginning on or after 1 January 2017. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The agency will adopt this standard from 1 January 2017 but the impact of its adoption is yet to be assessed by the Authority.

AASB 2015-1 Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012-2014 Cycle
These amendments are applicable to annual reporting periods beginning on or after 1 January 2016. AASB 2015-1 implements the five changes to four standards that arose from the IASB's Annual Improvements to IFRSs 2012-2014 Cycle, released in September 2014, as well as making other necessary editorial corrections to the AASB's own standards. Consistent with previous improvements projects the amendments are, by their nature, minor and specialised and are deemed unlikely to have a significant impact on the Authority.

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

Note 2. Operational revenue

	2015 $'000	2014 $'000
Operational revenue	590,916	607,648

Note 3. Other income

	2015 $'000	2014 $'000
Interest (including finance leases)	29,509	30,029
Gains on disposal of assets	-	8,581
Government grants	13,376	5,653
Other	26,904	20,826
	69,789	65,089

Note 4. Fleet running expenses

	2015 $'000	2014 $'000
Fuel	56,794	61,277
Fleet maintenance	45,366	42,370
	102,160	103,647

Note 5. Personnel services

	2015 $'000	2014 $'000
Personnel services	426,378	416,456

Note 6. Finance costs

	2015 $'000	2014 $'000
Interest	19,365	24,540

Note 7. General operating expenses

	2015 $'000	2014 $'000
Insurances	23,349	22,664
Depreciation	22,400	24,286
Amortisation of intangible assets	501	459
Losses on disposal of assets	65	-
Minimum lease payment	1,009	670
Consultancy/professional services	1,370	1,701
Impairment	35	-
Repairs & maintenance - others	7,501	9,782
Taxes & tolls	4,707	4,296
Cleaning, waste & pest control	5,672	2,965
Other operating expenses	26,534	28,385
	93,143	95,208

Note 8. Current assets - cash and cash equivalents

	2015 $'000	2014 $'000
Cash at bank and on hand	3,042	4,068

Note 9. Current assets - trade and other receivables

	2015 $'000	2014 $'000
Trade debtors	36,915	30,688
Sundry debtors	1,032	7,982
Less: Provision for impairment of receivables	-	(23)
	1,032	7,959
Goods and services tax	71	745
Finance leases	36,986	33,403
Prepayments	3,322	2,050
	78,326	74,845

Note 10. Current assets - inventories

	2015 $'000	2014 $'000
Mechanical and electrical spares	6,685	6,355
Distillate	695	827
Tyres	302	454
Other	958	1,018
	8,640	8,654

Note 11. Current assets - other

	2015 $'000	2014 $'000
Other current assets	-	658

Note 12. Current assets - non-current assets classified as held for sale

	2015 $'000	2014 $'000
Owned buses withdrawn from service	89	131

Note 13. Non-current assets - receivables

	2015 $'000	2014 $'000
Finance leases	444,586	450,707

Note 14. Non-current assets - property, plant and equipment

	2015 $'000	2014 $'000
Land	167,563	159,716
Less: Provision for remediation	(554)	(613)
	167,009	159,103
Buildings	213,917	213,674
Less: Accumulated depreciation	(104,803)	(99,216)
	109,114	114,458
Wharves	767	767
Less: Accumulated depreciation	(288)	(268)
	479	499
Plant and equipment	71,340	78,435
Less: Accumulated depreciation	(60,631)	(65,258)
	10,709	13,177
Motor vehicles (other than buses)	1,788	1,676
Less: Accumulated depreciation	(1,231)	(1,041)
	557	635
Owned buses	368,915	395,954
Less: Accumulated depreciation	(301,318)	(315,156)
	67,597	80,798
Ferries	9,968	9,968
Less: Accumulated depreciation	(8,312)	(8,184)
	1,656	1,784
Work-in-progress	10,079	11,848
	367,200	382,302

Note 14. Non-current assets - property, plant and equipment (continued)

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

	Land $'000	Buildings & Wharves $'000	Plant & Equipment $'000	Owned buses & ferries $'000	Work-in-progress $'000	Total $'000
Balance at 1 July 2013	147,075	120,146	14,263	96,621	8,900	387,005
Additions	-	438	3,676	-	33,352	37,466
Classified as held for sale (note 12)	-	-	-	4,867	-	4,867
Disposals/derecognition/ write-offs	(1,000)	(20)	(82)	(5,025)	2,074	(4,053)
Revaluation increments	13,487	-	-	743	-	14,230
Transfer to finance lease	-	-	-	-	(32,478)	(32,478)
Other	(459)	-	9	1	-	(449)
Depreciation expense	-	(5,607)	(4,054)	(14,625)	-	(24,286)
Balance at 30 June 2014	159,103	114,957	13,812	82,582	11,848	382,302
Additions	-	218	1,112	-	31,416	32,746
Classified as held for sale (note 12)	-	-	-	42	-	42
Disposals/derecognition/ write-offs	-	(1)	(35)	(175)	(1,825)	(2,036)
Revaluation increments	7,847	-	-	-	-	7,847
Transfer to finance lease	-	-	-	-	(31,360)	(31,360)
Other	59	21	(21)	-	-	59
Depreciation expense	-	(5,602)	(3,602)	(13,196)	-	(22,400)
Balance at 30 June 2015	167,009	109,593	11,266	69,253	10,079	367,200

Refer to note 27 for further information on fair value measurement.

Note 15. Non-current assets - intangibles

	2015 $'000	**2014 $'000**
Software	10,641	8,053
Less: Accumulated amortisation	(10,332)	(7,370)
	309	683
Work-in-progress	344	127
	653	810

Note 15. Non-current assets - intangibles (continued)

Reconciliations

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

	Software $'000	Work-in-progress $'000	Total $'000
Balance at 1 July 2013	475	899	1,374
Additions	667	446	1,113
Disposals	-	(1,218)	(1,218)
Amortisation expense	(459)	-	(459)
Balance at 30 June 2014	683	127	810
Additions	127	344	471
Disposals	-	(127)	(127)
Amortisation expense	(501)	-	(501)
Balance at 30 June 2015	309	344	653

Note 16. Current liabilities - Trade and other payables

	2015 $'000	**2014 $'000**
Trade creditors	17,368	19,316
Personnel services	127,373	116,976
Other creditors and accruals	8,566	9,530
Accrued interest	3,418	4,227
	156,725	150,049

Refer to note 26 for further information on financial instruments.

Note 17. Current liabilities - Financial liabilities

	2015 $'000	**2014 $'000**
Borrowings secured by Government guarantee	37,587	34,691

Refer to note 26 for further information on financial instruments.

Note 18. Current liabilities - provisions

	2015 $'000	**2014 $'000**
Others	1,341	1,223

Refer to note 21 for further information on other provisions

Note 18. Current liabilities - provisions (continued)

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

2015	Others $'000
Carrying amount at the start of the year	1,129
Additional provisions recognised	3,547
Amounts transferred from non-current	136
Amounts used	(3,285)
Actuarial adjustment	(186)
Carrying amount at the end of the year	1,341

Note 19. Current liabilities - other

	2015 $'000	2014 $'000
Revenue received in advance	722	3,997
Other payables	74	122
	796	4,119

Note 20. Non-current liabilities - Financial liabilities

	2015 $'000	2014 $'000
Borrowings secured by Government guarantee	210,763	250,845

Refer to note 26 for further information on financial instruments.

Total secured liabilities
The total secured liabilities (current and non-current) are as follows:

	2015 $'000	2014 $'000
Borrowings secured by Government guarantee	248,350	285,536

Note 21. Non-current liabilities - Provisions

	2015 $'000	2014 $'000
Others	588	606

Other provisions
The current and non-current provision represents the obligation to pay contingent consideration. It is measured at the present value of the estimated liability.

Note 21. Non-current liabilities - Provisions (continued)

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

2015	Others $'000
Carrying amount at the start of the year	606
Additional provisions recognised	118
Amounts transferred to current	(136)
Carrying amount at the end of the year	588

Note 22. Non-current liabilities - Trade and other payables

	2015 $'000	2014 $'000
Personnel services	199,125	212,512

Note 23. Equity - Reserves

	2015 $'000	2014 $'000
Reserves	204,510	198,850

Note 24. Equity - retained surpluses

	2015 $'000	2014 $'000
Retained surpluses at the beginning of the financial year	69,280	31,218
Surplus for the year	19,659	32,886
Transfer from revaluation surplus reserve	2,162	5,176
Retained surpluses at the end of the financial year	91,101	69,280

Note 25. Cash and cash equivalents

For the purpose of the cash flow statement, cash includes cash-on-hand, in the bank and short-term deposits.

Cash at the end of the year, as shown in the cash flow statement, is reconciled to the related items in the statement of financial position as follows:

	2015 $'000	2014 $'000
Reconciliation of cash and cash equivalents		
Cash and cash equivalents	3,042	4,068

Note 25. Cash and cash equivalents (continued)

	2015 $'000	2014 $'000
Financing facility used at balance date	15,000	3,000
Financing facility unused at balance date	30,000	42,000
	45,000	45,000

Note 26. Financial instruments

Financial risk management objectives
The Authority's activities expose it to a variety of financial risks: market risk (including interest rate risk), credit risk and liquidity risk. The Authority's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance. The Authority uses derivative financial instruments such as forward foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The Authority uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Financial risk management is carried out under policies approved by the Chief Executive Officer. These policies include identification and analysis of the risk exposure of the Authority and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the Authority.

Market risk

Foreign currency risk
The Authority is not exposed to any currency risk at balance date.

Price risk
The Authority is not exposed to any significant price risk.

Interest rate risk
Interest rate risk occurs where the value of the financial liabilities fluctuates due to changes in interest rates.

The Authority's interest rate risk policy seeks to minimise the effects of interest rate movements through active management of the exposures by converting between floating short-term and long-term fixed-interest loans.

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

Note 26. Financial instruments (continued)

	2015 $'000	2014 $'000
Class of financial assets		
Trade debtors	36,915	30,688
Sundry debtors	1,032	7,982
Finance leases	481,572	484,110
Total	519,519	522,780

Impairment of receivables
The ageing of the impaired receivables provided for above are as follows:

	2015 $'000	2014 $'000
Over 6 months overdue	-	23

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

	2015 $'000	2014 $'000
Opening balance	23	-
Additional provisions recognised	-	23
Receivables written off during the year as uncollectable	(23)	-
Closing balance	-	23

Past due but not impaired
Customers with balances past due but without provision for impairment of receivables amount to $1,992,000 as at 30 June 2015 ($4,418,000 as at 30 June 2014).

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

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

	2015 $'000	2014 $'000
0 to 3 months	748	238
3 to 6 months	1,218	63
Over 6 months overdue	26	4,117
	1,992	4,418

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

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

Note 26. Financial instruments (continued)

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

2015	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Financial liabilities	-%	29,352	-	-	-	29,352
Interest-bearing - variable						
Financial liabilities	2.15%	37,628	-	-	-	37,628
Interest-bearing - fixed rate						
Financial liabilities	4.32%	10,570	54,722	102,819	90,110	258,221
Total non-derivatives		77,550	54,722	102,819	90,110	325,201

2014	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Financial liabilities	-%	33,073	-	-	-	33,073
Interest-bearing - fixed rate						
Financial liabilities	5.01%	49,025	46,974	127,616	131,570	355,185
Total non-derivatives		82,098	46,974	127,616	131,570	388,258

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

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

Note 27. Fair value measurement

Fair value hierarchy

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

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

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

Level 3: Unobservable inputs for the asset or liability

2015	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Finance leases	-	467,355	-	467,355
Property, plant and equipment	-	-	345,855	345,855
Total assets	-	467,355	345,855	813,210
Liabilities				
Financial liabilities	-	248,350	-	248,350
Total liabilities	-	248,350	-	248,350

2014	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Finance leases	-	484,110	-	484,110
Property, plant and equipment	-	-	356,642	356,642
Total assets	-	484,110	356,642	840,752
Liabilities				
Financial liabilities	-	285,536	-	285,536
Total liabilities	-	285,536	-	285,536

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

There were no transfers between levels during the financial year.

Note 27. Fair value measurement (continued)

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

	Land $'000	Buildings & Wharves $'000	Owned buses $'000	Ferries $'000	Total $'000
Balance at 1 July 2013	147,075	120,146	95,443	1,178	363,842
Additions	-	438	-	-	438
Disposals	(1,000)	(20)	(5,025)	-	(6,045)
Depreciation	-	(5,607)	(14,488)	(137)	(20,232)
Movement in held-for-sale	-	-	4,867	-	4,867
Others	(459)	-	1	-	(458)
Revaluation increment	13,487	-	-	743	14,230
Balance at 30 June 2014	159,103	114,957	80,798	1,784	356,642
Additions	-	218	-	-	218
Disposals	-	(1)	(114)	-	(115)
Depreciation	-	(5,602)	(13,068)	(128)	(18,798)
Movement in held-for-sale	-	-	42	-	42
Others	59	21	(61)	-	19
Revaluation increment	7,847	-	-	-	7,847
Balance at 30 June 2015	167,009	109,593	67,597	1,656	345,855

The level 3 assets and liabilities unobservable inputs and sensitivity are as follows:

Description	Unobservable inputs	Range (weighted average)	Date of valuation and registered valuers
a) Owned buses	Useful life	15 - 25 years	31 March 2011
	Residual value	$0 - $10K	Rodney Hyman Asset Services
b) Ferries	Useful life	35 -45 years	31 March 2014
	Residual value	$0 - $20K	Rodney Hyman Asset Services
c) Land	Discount factor on comparable property sale	0 - 90% $0 - $10M	30 June 2014 AssetVal Pty Ltd
d) Buildings	Useful life	40 year or above	30 June 2012
	Residual value	$0 - $1M	Aon Valuation Services
e) Wharves	Useful life	20 - 50 years	30 June 2012
	Residual value	$0 - $20K	Aon Valuation Services

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

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

Note 28. Key management personnel disclosures

	2015 $'000	2014 $'000
Key management personnel compensation		
Short-term employee benefits	2,458	2,679
Post-employment benefits	137	161
Other long-term benefits	1	3
Termination benefits	387	-
	2,983	2,843

Note 29. Remuneration of auditors

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

	2015 $	2014 $
Audit services - Audit Office of NSW		
Audit of the financial statements	195,300	258,000

Note 30. Finance lease as the lessor

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

	2015 $'000	2014 $'000
Gross investment in the lease		
Not later than one year	64,641	61,679
Later than one year and not later than five years	258,561	246,717
Later than five years	320,373	353,567
Total gross investment	643,575	661,963

	2015 $'000	2014 $'000
Present value of minimum lease receipts		
Not later than one year (current)	36,986	33,403
Later than one year and not later than five years (non-current)	172,647	156,088
Later than five years (non-current)	271,939	294,619
Total present value of minimum lease receipts	481,572	484,110

	2015 $'000	2014 $'000
Reconciliation		
Total gross investment	643,575	661,963
Unearned finance income	(162,003)	(177,853)
Total present value of minimum lease receipts	481,572	484,110

Note 31. Contingent liabilities

The Authority by virtue of its operations may have possible contamination in land beyond which is already identified (Refer Note 14). Although the Authority has ongoing processes in place to identify any possible further contamination of land, the estimated additional costs of any remediation required cannot be reliably determined at the date of preparation of these financial statements

Note 32. Commitments

	2015 $'000	2014 $'000
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	872	999
One to five years	155	799
More than five years	10	12
	1,037	1,810
Capital expenditure commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	417	4,052
One to five years	-	3,765
	417	7,817

The commitment totals as shown above include Goods and Services Tax (GST) of $0.094M (2014:$0.875M), which is recoverable from the Australian Taxation Office.

Note 33. Related party transactions

The Authority is a controlled entity of the Department of Transport. The significant transactions are with TfNSW which is also controlled by DoT. These mainly relate to the Sydney Metropolitan Bus Service Contracts & Outer Sydney Metropolitan Bus Service Contracts (Note 1). These transactions are reflected in operational revenue (Note 2) and finance lease receivable (Note 9 & 13). These transactions are conducted on normal terms and conditions.

Note 34. Events after the reporting period

On 1 July 2015 the Transport Asset Holding Entity (TAHE) commenced operations. TAHE is a dedicated asset manager which will eventually hold all public transport assets for the State. The transfer of the Authority's assets to TAHE is at this stage not expected to occur until after 30 June 2019.

No other matter or circumstance has arisen since 30 June 2015 that has significantly affected, or may significantly affect the Authority's operations, the results of those operations, or the Authority's state of affairs in future financial years.

Note 35. Reconciliation of surplus to net cash from operating activities

	2015 $'000	2014 $'000
Surplus for the year	19,659	32,886
Adjustments for:		
Impairment of property, plant and equipment	35	-
Amortisation of intangible assets	501	459
Depreciation	22,400	24,286
Net loss/(gain) on disposal of non-current assets	65	(8,581)
Other non-cash items	558	26
Change in assets and liabilities:		
(Increase)/decrease in receivables	(4,155)	(19,289)
(Increase)/decrease in inventory	14	(957)
(Increase)/decrease in Goods and Services Tax	674	(631)
(Increase)/decrease in other assets	700	(632)
Increase/(decrease) in payables	9,572	(11,463)
Increase/(decrease) in revenue received in advance	(3,275)	194
Increase/(decrease) in provisions	118	(440)
Increase/(decrease) in other payables	(48)	-
Net cash from operating activities	46,818	15,858

State Transit Authority of NSW
Statement by Chief Executive Officer
30 June 2015

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

1. The accompanying financial statements exhibit a true and fair view of the financial position and transactions of the State Transit Authority of New South Wales as at 30 June 2015; and

2. The financial statements have been prepared in accordance with the provisions of the Australian Accounting Standards which includes Australian Accounting Interpretations, the Public Finance and Audit Act 1983, Public Finance and Audit Regulation 2015 and the Treasurer's Directions.

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

Peter Rowley
CHIEF EXECUTIVE OFFICER

DATED - 11 September 2015

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