Annual Report

Transport for NSW

State Transit

2016–17 • Volume 2

NSW GOVERNMENT

State Transit Authority of NSW

Audited Financial Statements for the year ended - 30 June 2017

State Transit Authority of NSW
Statement by Chief Executive Officer
30 June 2017

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 2017; 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.

Steffen Faurby
Chief Executive Officer

DATED - 25 August 2017

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State Transit Authority of NSW
Statement of comprehensive income
For the year ended 30 June 2017

	Note	2017 $'000	2016 $'000
Revenue			
Operational revenue		618,721	603,423
Other income	2	64,342	69,171
Total revenue		683,063	672,594
Expenses			
Fleet running expenses	3	(99,146)	(99,405)
Personnel services	4	(403,349)	(486,423)
Depreciation and amortisation	5	(13,321)	(18,767)
Finance costs		(9,316)	(9,840)
General operating expenses	6	(73,877)	(87,688)
Total expenses		(599,009)	(702,123)
Surplus/(deficit) for the year		84,054	(29,529)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Increment on revaluation of property, plant and equipment		15,200	8,948
Other comprehensive income for the year		15,200	8,948
Total comprehensive income for the year		99,254	(20,581)

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 2017

	Note	2017 $'000	2016 $'000
Assets			
Current assets			
Cash and cash equivalents	7	35,422	30,362
Trade and other receivables	8	114,874	78,253
Inventories	9	9,930	9,127
Other		58	1
		160,284	117,743
Non-current assets held for sale/distribution	10	21,563	137
Total current assets		181,847	117,880
Non-current assets			
Receivables	11	386,580	436,275
Property, plant and equipment	12	321,569	336,773
Intangibles	13	4,046	901
Total non-current assets		712,195	773,949
Total assets		894,042	891,829
Liabilities			
Current liabilities			
Trade and other payables	14	158,410	168,141
Financial liabilities	15	28,826	36,752
Provisions	16	1,219	1,281
Other	17	139	414
Total current liabilities		188,594	206,588
Non-current liabilities			
Trade and other payables	18	192,799	236,450
Financial liabilities	19	137,930	173,115
Provisions	20	435	646
Total non-current liabilities		331,164	410,211
Total liabilities		519,758	616,799
Net assets		374,284	275,030
Equity			
Reserves		226,502	211,544
Retained surpluses		147,782	63,486
Total equity		374,284	275,030

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 2017

	Reserves $'000	Retained surpluses $'000	Total equity $'000
Balance at 1 July 2015	204,510	91,101	295,611
Deficit for the year	-	(29,529)	(29,529)
Other comprehensive income for the year	8,948	-	8,948
Total comprehensive income for the year	8,948	(29,529)	(20,581)
Reserves transferred to retained surpluses on disposal/transfer of assets	(1,914)	1,914	-
Balance at 30 June 2016	211,544	63,486	275,030

	Reserves $'000	Retained surpluses $'000	Total equity $'000
Balance at 1 July 2016	211,544	63,486	275,030
Surplus for the year	-	84,054	84,054
Other comprehensive income for the year	15,200	-	15,200
Total comprehensive income for the year	15,200	84,054	99,254
Reserves transferred to retained surpluses on disposal/transfer of assets	(240)	240	-
Balance at 30 June 2017	226,504	147,780	374,284

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

State Transit Authority of NSW
Statement of cash flows
For the year ended 30 June 2017

	Note	2017 $'000	2016 $'000
Cash flows from operating activities			
Receipts from operations		650,062	647,265
Other income		34,735	36,794
Interest received		27,817	28,946
Payments to suppliers		(667,369)	(625,237)
Finance costs		(11,243)	(9,852)
Net cash from operating activities	29	34,002	77,916
Cash flows from investing activities			
Purchases of property, plant and equipment		(26,660)	(50,632)
Proceeds from disposal of property, plant and equipment		68	297
Net cash used in investing activities		(26,592)	(50,335)
Cash flows from financing activities			
Repayment of borrowings		(43,693)	(38,105)
Proceeds from finance leases		41,343	37,844
Net cash used in financing activities		(2,350)	(261)
Net increase in cash and cash equivalents		5,060	27,320
Cash and cash equivalents at the beginning of the financial year		30,362	3,042
Cash and cash equivalents at the end of the financial year	7	35,422	30,362

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 which is consolidated as part of the NSW Total State Sector accounts.

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

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

The Outer Sydney Metropolitan Bus Service Contract expires on 1 July 2017. The Government has appointed a new private sector operator to service an integrated transport network for Newcastle including buses, ferries, the new light rail and interchange from 1 July 2017. The Authority will transfer all relevant Newcastle assets and liabilities to TfNSW and new private sector operator.

The Sydney Metropolitan Bus Service Contracts expire on 30 June 2018. The Government has agreed, in principle, to new service contacts for the Western, Eastern and Northern Region that it expects will be executed in 2017-18. The Government has also announced that private sector operators will be invited to compete to run bus services in the Southern Region. There currently exists uncertainty in relation to timing, terms and conditions, and method for the treatment of assets and liabilities. Accordingly, the financial statements have been prepared on a basis consistent with prior years.

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

Basis of preparation

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

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

All amounts are expressed in Australian currency.

Going concern

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

Revenue recognition

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

Note 1. Summary of significant accounting policies (continued)

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

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

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

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

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

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

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

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

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

Non-current assets held for sale/distribution
Assets withdrawn from service, and awaiting disposal, are disclosed as held for sale/distribution. These are recognised at the lower of carrying value and fair value less costs to sell and are not depreciated or amortised while they are held for sale.

Note 1. Summary of significant accounting policies (continued)

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

(i) Basis of valuation

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

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

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

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

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

(ii) Depreciation/Amortisation

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

Freehold buildings and wharf	10-60 years
Plant and equipment	3-40 years
Intangibles	2-10 years
Owned buses	20-25 years
Ferries	41-42 years
Motor vehicles	3-10 years

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

Note 1. Summary of significant accounting policies (continued)

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

(iii) Capitalisation policy

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

(iv) Work-in-progress

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

(v) Repairs & maintenance

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

(vi) Disposal policy

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

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

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

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

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

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

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

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

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

Note 1. Summary of significant accounting policies (continued)

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

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

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

Finance costs
All interest on borrowings, and costs associated with refinancing, are expensed in the period incurred.

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

Personnel services
Staff of the Authority are employed by Transport Service of NSW (TS). The Authority has recognised a personnel services expense and a corresponding liability to TS. The major components of the personnel services liability includes obligations for annual leave, long service leave, workers compensation and the unfunded portion of the defined benefit superannuation schemes.

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

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

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

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

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

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

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

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 current set of circumstances.

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

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

Rounding of amounts

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

Reserves

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

Statement of compliance

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

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.

The Authority's assessment of the following new standards and interpretations is not expected to be significant:

Applicable for the first time in 2017-18
AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107
AASB 2016-4 Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities
AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle

Applicable for 2018-19 and beyond
AASB 9 Financial Instruments
AASB 2016-6 Amendments to Australian Accounting Standards – Applying AASB 9 with AASB 4 Insurance Contracts
AASB 2017-1 Amendments to Australian Accounting Standards – Transfer of investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments
AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities

Note 2. Other income

	2017 $'000	2016 $'000
Interest (includes finance lease income)	27,816	28,944
Grants	14,316	12,989
Other (includes rents, fines and advertising)	22,210	27,238
	64,342	69,171

Grants mainly include contributions to defined benefit superannuation schemes which are a component of the personnel services liability to Transport Service of NSW.

Note 3. Fleet running expenses

	2017 $'000	2016 $'000
Fuel	51,480	51,431
Fleet maintenance	47,666	47,974
	99,146	99,405

Note 4. Personnel services

	2017 $'000	2016 $'000
Personnel services provided by Transport Service of NSW	403,349	486,423

The movement in the personnel services expense is mainly due to the actuarial valuation as at 30 June 2017 which reflects a rise in the discount rate (based on the 10 year Commonwealth Bond rate) relative to 30 June 2016 year end. The 10 year Commonwealth Bond rate increased from 1.98% as at 30 June 2016 to 2.60% as at 30 June 2017.

Note 5. Depreciation and amortisation

	2017 $'000	2016 $'000
Depreciation	12,966	18,454
Amortisation	355	313
	13,321	18,767

The decline in depreciation expense is mainly attributed to the independent valuation of owned buses in 2015-16 which resulted in valuation decrement of $21.6M.

Note 6. General operating expenses

	2017 $'000	2016 $'000
Insurances	25,404	24,867
Revaluation expense (Refer note 12)	991	13,715
Losses on disposal of assets	200	290
Minimum lease payment	1,102	1,078
Consultancy/professional services	949	2,666
Repairs & maintenance	6,112	5,974
Taxes & tolls	5,303	4,866
Cleaning, waste & pest control	5,862	5,925
Other operating expenses (includes corporate and shared services)	27,954	28,307
	73,877	87,688

Note 7. Current assets - cash and cash equivalents

	2017 $'000	2016 $'000
Cash at bank and on hand	35,422	30,362

Note 8. Current assets - trade and other receivables

	2017 $'000	2016 $'000
Trade debtors	30,616	31,902
Sundry debtors	9,091	2,179
Finance leases (Refer note 25)	71,798	40,903
Prepayments	3,369	3,269
	114,874	78,253

Finance leases include $29.9M associated with the Outer Sydney Metropolitan Bus Service Contract which expires on 1 July 2017.

Note 9. Current assets - inventories

	2017 $'000	2016 $'000
Mechanical and electrical spares	7,485	7,316
Distillate	809	578
Tyres	278	347
Other	1,358	886
	9,930	9,127

Note 10. Current assets - non-current assets held for sale/distribution

	2017 $'000	2016 $'000
Plant and equipment held for sale	44	-
Owned buses held for sale	675	137
Land held for sale	239	-
Plant and equipment held for distribution	358	-
Ferries held for distribution	1,398	-
Wharf held for distribution	407	-
Land held for distribution	8,052	-
Buildings held for distribution	6,338	-
Owned buses held for distribution	4,052	-
	21,563	137

Note 11. Non-current assets - receivables

	2017 $'000	2016 $'000
Finance leases (Refer Note 25)	386,580	436,275

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

	2017 $'000	2016 $'000
Land	181,633	179,007
Less: Provision for remediation	(1,597)	(1,783)
	180,036	177,224
Buildings	211,181	221,178
Less: Accumulated depreciation	(107,344)	(111,600)
	103,837	109,578
Wharf	-	513
Less: Accumulated depreciation	-	(106)
	-	407
Plant and equipment	53,895	68,507
Less: Accumulated depreciation	(45,347)	(59,306)
	8,548	9,201
Motor vehicles (other than buses)	1,588	1,486
Less: Accumulated depreciation	(1,098)	(897)
	490	589
Owned buses	347,908	399,016
Less: Accumulated depreciation	(323,544)	(363,206)
	24,364	35,810
Ferries	-	9,968
Less: Accumulated depreciation	-	(8,441)
	-	1,527
Work-in-progress	4,294	2,437
	321,569	336,773

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

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

	Land $'000	Buildings & Wharf $'000	Plant & Equipment $'000	Owned buses & ferries $'000	Work-in-progress $'000	Total $'000
Balance at 1 July 2015	167,009	109,593	11,266	69,253	10,079	367,200
Additions	-	-	-	-	29,457	29,457
Disposals/derecognition/write-offs	-	-	(473)	(164)	(1,339)	(1,976)
Revaluation increments/(decrements)	11,445	5,788	-	(21,607)	-	(4,374)
Transfer to finance lease	-	-	-	-	(33,801)	(33,801)
Classified as held for sale	-	-	-	(48)	-	(48)
Reclassification between PPE classes	-	203	1,756	-	(1,959)	-
Other	(1,230)	(325)	325	-	-	(1,230)
Depreciation expense	-	(5,274)	(3,084)	(10,097)	-	(18,455)
Balance at 30 June 2016	177,224	109,985	9,790	37,337	2,437	336,773
Additions	-	-	-	-	28,937	28,937
Disposals/derecognition/write-offs	-	-	(140)	(129)	(1,328)	(1,597)
Revaluation increments/(decrements)	10,917	4,280	-	(991)	-	14,206
Transfer to finance lease	-	-	-	-	(22,544)	(22,544)
Classified as held for sale/distribution	(8,291)	(6,745)	(402)	(5,988)	-	(21,426)
Reclassification between PPE classes	-	768	2,440	-	(3,208)	-
Other	186	-	-	-	-	186
Depreciation expense	-	(4,451)	(2,650)	(5,865)	-	(12,966)
Balance at 30 June 2017	180,036	103,837	9,038	24,364	4,294	321,569

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

The Authority engaged an independent external valuer, AssetVal Pty Ltd, to undertake a comprehensive revaluation of owned buses and land, and an interim revaluation of buildings and wharf, as at 31 March 2017.

Note 13. Non-current assets - intangibles

	2017 $'000	**2016 $'000**
Software	7,150	7,939
Less: Accumulated amortisation	(6,292)	(7,180)
	858	759
Work-in-progress	3,188	142
	4,046	901

Note 13. 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 2015	309	344	653
Additions	763	549	1,312
Disposals/derecognition	-	(751)	(751)
Amortisation expense	(313)	-	(313)
Balance at 30 June 2016	759	142	901
Additions	454	3,566	4,020
Disposals/derecognition	-	(520)	(520)
Amortisation expense	(355)	-	(355)
Balance at 30 June 2017	858	3,188	4,046

Note 14. Current liabilities - Trade and other payables

	2017 $'000	**2016 $'000**
Trade creditors	9,199	9,278
Personnel services liability to Transport Service of NSW	136,432	136,650
Other creditors and accruals	7,434	16,270
Accrued interest	2,380	3,321
Goods and services tax	2,965	2,622
	158,410	168,141

Refer to note 21 for further information on financial instruments.

Note 15. Current liabilities - Financial liabilities

	2017 $'000	**2016 $'000**
Borrowings secured by Government guarantee	28,826	36,752

Refer to note 21 for further information on financial instruments.

Note 15. Current liabilities - Financial liabilities (continued)

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

	2017 $'000	2016 $'000
Total facilities		
Short term financing facility	45,000	45,000
Used at the reporting date		
Short term financing facility	-	-
Unused at the reporting date		
Short term financing facility	45,000	45,000

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

Note 16. Current liabilities - provisions

	2017 $'000	2016 $'000
Others	1,219	1,281

Other provisions
This includes a provision for claims for public liability including third party property damage, and make good of accommodation.

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

2017	$'000
Carrying amount at the start of the year	1,281
Amounts transferred from non-current	186
Additions	1,750
Payments	(3,334)
Actuarial adjustment	1,336
Carrying amount at the end of the year	1,219

Note 17. Current liabilities - other

	2017 $'000	2016 $'000
Revenue received in advance	139	414

Note 18. Non-current liabilities - Trade and other payables

	2017 $'000	2016 $'000
Personnel services liability to Transport Service of NSW	192,799	236,450

Refer to note 21 for further information on financial instruments.

Note 19. Non-current liabilities - Financial liabilities

	2017 $'000	2016 $'000
Borrowings secured by Government guarantee	137,930	173,115

Refer to note 21 for further information on financial instruments.

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

	2017 $'000	2016 $'000
Borrowings secured by Government guarantee	166,756	209,867

Note 20. Non-current liabilities - Provisions

	2017 $'000	2016 $'000
Others	435	646

Other provisions
This includes a provision for claims for public liability including third party property damage.

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

2017	$'000
Carrying amount at the start of the year	646
Amounts transferred to current	(186)
Actuarial adjustment	(25)
Carrying amount at the end of the year	435

Note 21. Financial instruments

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

Market risk

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

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

Note 21. Financial instruments (continued)

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

	2017 $'000	2016 $'000
Class of financial assets		
Cash and cash equivalents	35,422	30,362
Trade debtors	30,616	31,902
Sundry debtors	9,091	2,179
Finance leases	458,378	477,178
Total	533,507	541,621

Impairment of receivables
The Authority has recognised $nil for the year ended 30 June 2017 in profit or loss in respect of impairment of receivables ($nil for the year ended 30 June 2016).

Past due but not impaired
Customers with balances past due but without provision for impairment of receivables amount to $1,534,000 as at 30 June 2017 ($1,380,000 as at 30 June 2016).

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:

	2017 $'000	2016 $'000
0 to 3 months	1,503	1,186
3 to 6 months	29	100
Over 6 months overdue	2	94
	1,534	1,380

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

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

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

Note 21. 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.

2017	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	-	19,013	-	-	-	19,013
Interest-bearing - fixed rate						
Financial liabilities	4.27%	36,718	19,966	72,526	68,925	198,135
Total non-derivatives		55,731	19,966	72,526	68,925	217,148

2016	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Financial liabilities	-	28,869	-	-	-	28,869
Interest-bearing - fixed rate						
Financial liabilities	4.52%	47,157	55,644	63,078	83,727	249,606
Total non-derivatives		76,026	55,644	63,078	83,727	278,475

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

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

Note 22. Fair value measurement

Fair value hierarchy
The following tables detail the Authority's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Unobservable inputs for the asset or liability

2017	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Finance leases	-	435,434	-	435,434
Property, plant and equipment	-	-	308,237	308,237
Non-current assets held for sale/distribution	-	-	21,563	21,563
Total assets	-	435,434	329,800	765,234
Liabilities				
Financial liabilities	-	166,756	-	166,756
Total liabilities	-	166,756	-	166,756

2016	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Finance leases	-	449,310	-	449,310
Property, plant and equipment	-	-	324,546	324,546
Non-current assets held for sale/distribution	-	-	137	137
Total assets	-	449,310	324,683	773,993
Liabilities				
Financial liabilities	-	209,867	-	209,867
Total liabilities	-	209,867	-	209,867

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

There were no transfers between levels during the financial year.

Note 22. Fair value measurement (continued)

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

	Land $'000	Buildings & Wharf $'000	Owned buses and Ferries $'000	Non-current assets held for sale/ distribution $'000	Total $'000
Balance at 1 July 2015	167,009	109,593	69,253	89	345,944
Additions	-	203	-	124	327
Disposals	-	-	(133)	(76)	(209)
Depreciation	-	(5,274)	(10,096)	-	(15,370)
Non-current assets held for sale/distribution	-	-	(48)	-	(48)
Others	(1,230)	(325)	(32)	-	(1,587)
Revaluation increment/(decrement)	11,445	5,788	(21,607)	-	(4,374)
Balance at 30 June 2016	177,224	109,985	37,337	137	324,683
Additions	-	768	-	21,460	22,228
Disposals	-	-	(128)	(34)	(162)
Depreciation	-	(4,451)	(5,865)	-	(10,316)
Non-current assets held for sale/distribution	(8,291)	(6,745)	(5,989)	-	(21,025)
Others	186	-	-	-	186
Revaluation increment/(decrement)	10,917	4,280	(991)	-	14,206
Balance at 30 June 2017	180,036	103,837	24,364	21,563	329,800

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

Description	Date of valuation	Type of valuation
a) Owned buses	31 March 2017	Comprehensive
b) Ferries	31 March 2014	Comprehensive
c) Land	31 March 2017	Comprehensive
d) Buildings	31 March 2017	Interim
e) Wharf	31 March 2017	Interim

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

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

Note 23. Related party transactions

(a) Key Management Personnel Compensation

During the year, the entity incurred $3,985K in respect of the key management personnel services that are provided by the Transport Service of NSW.

(b) There were no transactions and Outstanding Balances with Key Management Personnel of the entity and its parent during the financial year

(c) There were no transactions and Outstanding Balances with Other Related Parties during the financial year

(d) Transactions with Government Related Entities during the financial year

The Authority is a controlled entity of the Department of Transport. The significant transactions are with TfNSW and TS which are also controlled by DoT. The transactions with TfNSW mainly relate to the Sydney Metropolitan Bus Service Contracts and the Outer Sydney Metropolitan Bus Service Contract (Note 1). These transactions are reflected in operational revenue and finance lease receivable (Note 8 & 11). The transactions with TS relate to personnel services and are reflected in personnel services expenses (Statement of Comprehensive Income) and personnel services liability (Note 14 & 18). These transactions are conducted on normal terms and conditions.

Note 24. 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:

	2017 $	2016 $
Audit services - Audit Office of NSW		
Audit of the financial statements	225,000	204,820

Note 25. 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.

	2017 $'000	2016 $'000
Gross investment in the lease		
Not later than one year	103,465	67,686
Later than one year and not later than five years	255,445	270,002
Later than five years	226,872	285,833
Total gross investment	585,782	623,521

	2017 $'000	2016 $'000
Present value of minimum lease receipts		
Not later than one year (current)	71,798	40,903
Later than one year and not later than five years (non-current)	189,000	189,911
Later than five years (non-current)	197,580	246,364
Total present value of minimum lease receipts	458,378	477,178

Note 25. Finance lease as the lessor (continued)

	2017 $'000	2016 $'000
Reconciliation		
Total gross investment	585,782	623,521
Unearned finance income	(127,404)	(146,343)
Total present value of minimum lease receipts	458,378	477,178

Note 26. Contingent liabilities

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

The Authority has announced it will implement a new operating model in 2017-18 that will introduce voluntary redundancies. Detailed planning for the new structure has not been completed, and consequently redundancy costs cannot be reliably estimated at the date of preparation of these financial statements.

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

Note 27. Commitments

	2017 $'000	2016 $'000
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	1,317	1,086
One to five years	270	698
More than five years	-	13
	1,587	1,797
Capital expenditure commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	2,781	345

The commitment totals as shown above include Goods and Services Tax (GST) of $0.397M ($0.195M as at 30 June 2016), which is recoverable from the Australian Taxation Office.

Note 28. Events after the reporting period

The Outer Sydney Metropolitan Bus Service Contract expired on 1 July 2017. A new private sector operator has commenced service of an integrated transport network for Newcastle including buses and ferries from 1 July 2017. The Secretary of Department of Transport approved the equity transfer of Newcastle assets from the Authority to TfNSW ($50.3m), effective 1 July 2017. The transfer of assets was completed on 1 July 2017.

No other matter or circumstance has arisen since 30 June 2017 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 29. Reconciliation of surplus/(deficit) to net cash from operating activities

	2017 $'000	2016 $'000
Surplus/(deficit) for the year	84,054	(29,529)
Adjustments for:		
Amortisation of intangible assets	355	313
Depreciation	12,966	18,454
Net loss/(gain) on disposal of non-current assets	200	290
Net revaluation decrement	991	13,715
Personnel services	(43,152)	49,304
Other non-cash items	(4,117)	5,697
Change in assets and liabilities:		
(Increase)/decrease in receivables	(5,726)	6,541
(Increase)/decrease in inventory	(803)	(487)
Increase/(decrease) in Goods and Services Tax	343	2,693
(Increase)/decrease in other assets	(57)	(49)
Increase/(decrease) in payables	(10,715)	11,416
Increase/(decrease) in revenue received in advance	(275)	(308)
Increase/(decrease) in provisions	(62)	(60)
Increase/(decrease) in other payables	-	(74)
Net cash from operating activities	34,002	77,916

The movement in the personnel services expense is mainly due to the actuarial valuation as at 30 June 2017 which reflects a rise in the discount rate (based on the 10 year Commonwealth Bond rate) relative to 30 June 2016 year end. The 10 year Commonwealth Bond rate increased from 1.98% as at 30 June 2016 to 2.60% as at 30 June 2017.

INDEPENDENT AUDITOR'S REPORT

State Transit Authority of New South Wales

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the State Transit Authority of New South Wales (the Authority), which comprise the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 30 June 2017, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

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

Basis for Opinion

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

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

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

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

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

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

The Chief Executive Officer's Responsibility for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does *not* provide assurance:

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

Scott Stanton
Assistant Auditor-General

5 September 2017
SYDNEY

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