State Transit

Annual Report

Volume 2 • 2020–21

The Hon Andrew Constance, MP
Minister for Transport and Roads
GPO Box 5341
SYDNEY NSW 2001

Contact:	Nirupama Mani
Phone no:	02 9275 7111
Our ref:	D2115557/0371

6 September 2021

Dear Minister

STATUTORY AUDIT REPORT

for the year ended 30 June 2021

State Transit Authority of NSW

I have audited the financial statements of State Transit Authority of NSW (the Authority) as required by the Government Sector Audit Act 1983 (GSA Act). This Statutory Audit Report outlines the results of my audit for the year ended 30 June 2021, and details matters I found during my audit that are relevant to you in your role as one of those charged with the governance of the Authority. The GSA Act requires me to send this report to the Authority's Accountable Authority, responsible Minister and the Treasurer.

This report is not the Independent Auditor's Report, which expresses my opinion on the Authority's financial statements.

My audit is designed to obtain reasonable assurance the financial statements are free from material misstatement. It is not designed to identify and report all the matters you may find of governance interest. Therefore, other governance matters may exist that I have not reported to you.

My audit is continuous. If I identify new significant matters, I will report these to you immediately.

Audit result

While I expressed an unmodified opinion on the Authority's financial statements, I identified a significant matter which is disclosed below.

Emphasis of Matter paragraph

Without modifying my opinion, I included an Emphasis of Matter paragraph in my Independent Auditor's Report. I draw attention to the 'Non-going concern' basis in Note 1 to the financial statements. The note describes the Authority's financial statements were prepared on a non-going concern basis as the Authority's principal activities will not operate for the entire 2021–22 financial year. My opinion is not modified in respect of this matter.

Significant matters

The following significant matters came to my attention during the audit.

Non-going concern basis of preparation

The Authority prepared its financial statements on a non-going concern basis. The Authority's principal activities will not operate for a full 12 months in the 2021–22 financial year.

In October 2019, the Minister for Transport and Roads announced that the Authority will no longer operate in the Eastern, Western and Northern Regions. Private sector operators will be invited to run the bus services in three stages from October 2021 with expected completion by April 2022.

The Statement of financial position is presented on a liquidity basis and does not distinguish between current and non-current classification.

Please respond to all the matters raised above in the Authority's annual report, as required by the Annual Reports legislation.

Misstatements in the financial statements

Misstatements (both monetary and disclosure deficiencies) are differences between what has been reported in the financial statements and what is required in accordance with the Authority's financial reporting framework. Misstatements can arise from error or fraud.

I have certain obligations for reporting misstatements:

- the Auditing Standards require matters of governance interest and significant misstatements identified during the audit to be communicated to those charged with governance
- statutory obligations require the Auditor-General to report misstatements resulting from or not detected because of failures in internal controls and/or systemic deficiencies which pose a significant risk to the Authority.

The Appendix lists and explains the nature and impact of the misstatements contained in the financial statements.

- Table one reports significant corrected misstatements and disclosure deficiencies
- Table two reports the effect on the reported net result of misstatements that have not been corrected in the period in which they occurred

Based on my evaluation, none of the misstatements reported are due to fraud.

Compliance with legislative requirements

My audit procedures are targeted specifically towards forming an opinion on the Authority's financial statements. This includes testing whether the Authority complied with key legislative requirements relevant to the preparation and presentation of the financial statements. The results of the audit are reported in this context. My testing did not identify any reportable instances of non-compliance with legislative requirements.

Auditor-General's Report to Parliament

The 2021 Auditor-General's Report to Parliament will incorporate the results of the audit.

Management Letter

I issued an interim Management Letter to the Chief Executive in July 2021 which included observations from the interim phase of my audit.

In September 2021, I expect to send a Management Letter from the final phase of my audit to the Chief Executive which includes observations from my audit. This letter will also include management's responses to the matters raised.

I believe the observations in these letters are not significant and have therefore not mentioned them in this report. Please contact the Chief Executive for a copy of the letters.

Acknowledgment

I thank the Authority's staff for their courtesy and assistance.

Yours sincerely

Nirupama Mani

Nirupama Mani
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

APPENDIX

Table one: Corrected disclosure deficiencies

Corrected disclosure deficiencies

Management corrected the following disclosure deficiencies in the current year's financial statements. I agree with management's determination and confirm this treatment complies with Australian Accounting Standards.

AASB reference	Disclosure title	Description of disclosure deficiency
Various	Various	Management corrected various disclosures in the financial statements to comply with the relevant accounting standards

Table two: Effect of misstatements on the reported net result

To fully understand the current year's financial result, those charged with governance should consider the impact of misstatements from previous years corrected in the current period and current period errors that remain uncorrected.

In 2019–20, we reported the Authority did not receive any advertising revenue from JC Decaux for the period 1 March to 30 June 2020 primarily due to the advertising firm's business being affected by the COVID-19 pandemic. On 24 August 2020, the Authority wrote to JC Decaux to agree on updated revenue share arrangements for the period of 1 April to 31 December 2020. The Authority subsequently wrote to JC Decaux on 27 January 2021 and 10 March 2021 to agree on revenue share agreements between 1 January 2021 to 30 June 2021. Our sample testing of advertising revenue noted $1.2 million that was recorded in 2020–21 related to revenue obtained from JC Decaux for the period 1 March to 30 June 2020. Based on our testing to 30 June 2021, we are satisfied that this revenue is now being recorded in the relevant month that the performance obligations are satisfied. This matter was in our Report on Early Close Procedures issued in June 2021.

This table illustrates the effect of misstatements that have not been corrected in the period in which they occurred.

Description and effect	Net result
	(Increase)/ decrease
	$'000
Net result as reported	(33,434)
Prior year transactions recorded in the current year's net result #	1,200
Current year misstatements that have not been corrected	--
Adjusted current year net result	**(32,234)**

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This includes:

c misstatements reported in previous years corrected in the current year's net result

d transactions identified and recorded in the current year, which relate to a prior period.

State Transit Authority of NSW
Statement by Chief Executive
30 June 2021

Pursuant to Part 7.6 (4) of the *Government Sector Finance Act 2018*, I declare that in my opinion:

1. The accompanying financial statements as at 30 June 2021 exhibit a true and fair view of the financial position, financial performance and cash flows of the State Transit Authority of New South Wales for the year ended; and

2. The financial statements have been prepared in accordance with the provisions of the Australian Accounting Standards which includes Australian Accounting Interpretations, the *Government Sector Finance Act 2018*, *Government Sector Finance Regulation 2018* 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.

Daniela Fontana
Chief Executive

DATED - 26 August 2021

State Transit Authority of NSW

Audited Financial Statements for the year ended - 30 June 2021

State Transit Authority of NSW
Statement of comprehensive income
For the year ended 30 June 2021

	Note	2021 $'000	2020 $'000
Revenue			
Operational revenue	2	428,903	424,860
Other income	3	39,026	25,231
Total revenue		467,929	450,091
Expenses			
Fleet running expenses	4	(54,500)	(61,493)
Personnel services	5	(319,008)	(331,844)
Depreciation and amortisation	6	(4,011)	(3,337)
Finance costs	7	(2)	(3)
Operating expenses	8	(56,974)	(54,814)
Total expenses		(434,495)	(451,491)
Surplus/(deficit) for the year		33,434	(1,400)
Other comprehensive income for the year		-	-
Total comprehensive income for the year		33,434	(1,400)

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 2021

	Note	2021 $'000	2020 $'000
Assets			
Cash and cash equivalents	9	54,031	34,577
Trade and other receivables	10	32,043	35,957
Inventories	11	7,209	7,153
Property, plant and equipment	12	3,420	4,441
Right-of-use asset	13	51	234
Intangibles	14	3,298	6,182
Other	15	-	202
Total assets		100,052	88,746
Liabilities			
Trade and other payables	16	269,242	291,266
Provisions	17	2,308	2,245
Lease liability	18	54	221
Total liabilities		271,604	293,732
Net liabilities		(171,552)	(204,986)
Equity			
Retained deficit	19	(171,552)	(204,986)
Total deficiency in equity		(171,552)	(204,986)

The above statement of comprehensive income 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 2021

	Retained deficit $'000	Total deficiency in equity $'000
Balance at 1 July 2019	(203,586)	(203,586)
Deficit for the year	(1,400)	(1,400)
Other comprehensive income for the year	-	-
Total comprehensive income for the year	(1,400)	(1,400)
Balance at 30 June 2020	(204,986)	(204,986)

	Retained deficit $'000	Total deficiency in equity $'000
Balance at 1 July 2020	(204,986)	(204,986)
Surplus for the year	33,434	33,434
Other comprehensive income for the year	-	-
Total comprehensive income for the year	33,434	33,434
Balance at 30 June 2021	(171,552)	(171,552)

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

State Transit Authority of NSW
Statement of cash flows
For the year ended 30 June 2021

	Note	2021 $'000	2020 $'000
Cash flows from operating activities			
Receipts from operations		449,011	428,618
Other receipts		41,582	108,267
Interest received		74	420
Payments to suppliers		(470,780)	(549,546)
Finance costs		(2)	(3)
Net cash from/(used in) operating activities	25	19,855	(12,244)
Cash flows from investing activities			
Purchases of property, plant and equipment		(345)	(2,516)
Proceeds from disposal of property, plant and equipment		84	41
Net cash used in investing activities		(261)	(2,475)
Cash flows from financing activities			
Payment of principal portion of lease liabilities		(170)	(129)
Net cash used in financing activities		(170)	(129)
Net increase/(decrease) in cash and cash equivalents		19,454	(14,848)
Cash and cash equivalents at the beginning of the financial year		34,577	49,425
Cash and cash equivalents at the end of the financial year	9	54,031	34,577

The above statement of comprehensive income 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 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.

The Authority is operating under five-year contracts with the NSW Government to operate bus services in three contract regions, which are effective from 1 July 2018. The Authority leases depot and buses under peppercorn leases from TfNSW. The Government has also announced that private sector operators will be invited to compete to run bus services in the Eastern, Western and Northern Region. The transition dates will be staggered for the 3 regions and are expected to be completed by October 2021 for Northern Region, January 2022 for Western Region and April 2022 for Eastern Region. The award for the operation of Northern Region was awarded to Keolis Downer on 28 May 2021 and for the operation of the Western Region was awarded to Busways on 30 July 2021 after a tender process which was coordinated by TfNSW. The same process will occur in the 2021-22 financial year with the new operators appointed for Eastern Region (expected to be announced in November 2021).

The financial statements were authorised for issue by the Chief Executive Officer on the date the accompanying statement was signed.

Basis of preparation
The financial statements have been prepared as general purpose financial statements in accordance with the requirements of the *Government Sector Finance Act 2018* (GSF Act), the *Government Sector Finance Regulation 2018*, Australian Accounting Standards which include Australian Accounting Interpretations and the Treasurer's Directions issued under the GSF Act.

The financial statements have been prepared on an accrual accounting basis except for cash flow using historical costs. The exception to this is certain assets, which are recorded at fair value.

All amounts are expressed in Australian currency.

Non-going concern
The financial statements have been prepared on a non-going concern basis due to the fact that the Authority's principal activities will not operate for a full 12 months in the 2021-22 financial year. All non-current assets and liabilities have been reclassified as current at 30 June 2021. The balance sheet is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current. Plant and equipment and inventory will be sold to the new operator or a third party, where possible. Any unsettled assets and liabilities are expected to be equity transferred to TfNSW. The negative equity has arisen due to the Authority equity transferring the majority of assets and liabilities, with a net value of $555.3 million to TfNSW on 1 July 2018 in accordance with the *Transport Administration Act 1988*. The operations and ability of the Authority to pay its debts are assured, despite total liabilities exceeding total assets at year end, due to monthly payments for bus services contracts from TfNSW. The Authority received a Letter of Comfort from NSW Treasury.

Financial assets
Financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Authority has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Note 1. Summary of significant accounting policies (continued)

Financial assets at amortised cost
A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Right-of-use assets
A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Authority expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any re-measurement of lease liabilities.

The Authority has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

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 impairment loss recognised.

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.

As a not-for-profit entity, an impairment loss is recognised in the net result to the extent the impairment loss exceeds the amount in the revaluation surplus for the class of asset.

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 requires 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 include obligations for annual leave, long service leave, workers' compensation and the unfunded portion of the defined benefit superannuation schemes. The Authority's actuaries have been advised of the proposed franchising of its remaining operations and any financial implications have been captured in the actuarial valuation.

Note 1. Summary of significant accounting policies (continued)

(i) Salaries and wages, sick leave and on-costs

Liability for salaries and wages is recognised and measured as the amount unpaid at the reporting date at current pay rates in respect of employees' service up to that date.

The outstanding amounts of payroll tax, workers' compensation and fringe benefits tax, which are consequential to employment, are recognised as liabilities and expenses where employee entitlements to which they relate have been recognised.

(ii) Annual leave and long service leave

Provision has been made for benefits accruing to employees in relation to annual leave and long service leave estimated to be payable to employees on the basis of statutory and contractual requirements.

Annual leave entitlements, that are recognised as current liabilities, are measured at their nominal amounts based on remuneration rates expected to be paid when the entitlements are settled. Long service leave obligations that are not expected to be settled within twelve months are assessed at present value by independent actuaries and are recognised as current. The unconditional component of the long service leave entitlements, for those employees currently employed for six or more years at the reporting date, are classified as current liabilities.

(iii) Superannuation

The employees retirement benefits liability in respect of three defined benefit superannuation funds is recognised in full. The liability for employees retirement benefits is based on an actuarial assessment and is recognised as current. Actuarial gains and losses are recognised directly in the statement of comprehensive income of TS in the year in which they occur.

Fair value hierarchy
The Authority uses market observable data as far as possible when measuring the fair value of an asset or a liability. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:
Level 1
Where the assets or liabilities are measured using quoted prices in active markets.
Level 2
Where the assets or liabilities are measured using other than quoted prices that are observable, either directly or indirectly.
Level 3
Where the assets or liabilities are measured using non-market prices.

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

Transfers arising from an administrative restructure involving not-for-profit and for-profit government entities are recognised at the amount at which the assets and liabilities were recognised by the transferor immediately prior to the restructure. Subject to below, in most instances this will approximate fair value. All other equity transfers are recognised at fair value, except for intangibles. Where an intangible has been recognised at (amortised) cost by the transferor because there is no active market, the entity recognises the asset at the transferor's carrying amount. Where the transferor is prohibited from recognising internally generated intangibles, the entity does not recognise that asset.

Note 1. Summary of significant accounting policies (continued)

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.

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.

Comparatives
Except when an Australian Accounting Standards permits or requires otherwise, comparative information is presented in respect of the previous period for all amounts reported in the financial statements.

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.

Changes in accounting policies including new or revised accounting standards
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 assessed the following new standards and interpretations which are not expected to have a significant financial impact:

Applicable for the first time in 2020-21
There were several amendments and interpretations that apply for the first time in FY2020-21, but do not have an impact on the financial statements of the Authority.

Note 1. Summary of significant accounting policies (continued)

Applicable for the first time in 2021-22 and beyond
NSW public sector entities are not permitted to early adopt new Australian Accounting Standards (AAS), unless NSW Treasury determines otherwise.
The following new AAS have not been applied and are not yet effective.

AASB 17 Insurance Contracts
AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments
AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current
AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date
AASB 2020-5 Amendments to Australian Accounting Standards – Insurance Contracts.

Note 2. Operational revenue
Operational revenue consists of revenue derived from fares, charters and bus service contracts. The recognition and measurement criteria are described as below:

Revenue from rendering of services is recognised when the Authority satisfies the performance obligation by transferring the promised services which is transportation of customers. The Authority typically satisfies its performance obligations when customers tap off the Opal card when off boarding the bus. The revenue is measured at the fare and contract determined by the NSW Government. No element of financing is deemed present as payments are due when service is provided.

Income is recognised in accordance with the requirements of AASB 15 Revenue from Contracts with Customers or AASB 1058 Income of Not-for-Profit Entities, dependent on whether there is a contract with a customer defined by AASB 15 Revenue from Contracts with Customers.

	2021 $'000	2020 $'000
Operational revenue	428,903	424,860

Note 3. Other income

Other income consists of interest, grants, rents, fines and advertising. The recognition and measurement criteria are described as below:

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For financial assets that become credit impaired, the effective interest rate is applied to the amortised cost of the financial asset (i.e. after deducting the loss allowance for expected credit losses).

Income from grants to acquire/construct a recognisable non-financial asset to be controlled by the Authority is recognised when the Authority satisfies its obligations under the transfer. The Authority satisfies the performance obligations under the transfer to construct assets over time as the non-financial assets are being constructed. Revenue from grants with sufficiently specific performance obligations is recognised as when the Authority satisfies a performance obligation by transferring the promised goods or services. Revenue from these grants is recognised based on the grant amount specified in the funding agreement/funding approval, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

Income from grants without sufficiently specific performance obligations is recognised when the Authority obtains control over the granted assets (e.g. cash).

Operating lease income is accounted for on a straight-line basis over the lease/contract term.

Advertising income is recognised in accordance with the contract. The monthly minimum guarantee was temporarily suspended in April 2020 and replaced with a sliding scale revenue share agreement. From a base of 55%, STA revenue share will increase to 70% as advertising revenue improves. Any shortfall is funded by TfNSW.

	2021 $'000	2020 $'000
Interest (includes finance lease income)	75	420
Gains on disposal of assets	59	26
Grants and contributions	11,884	10,950
Other (includes rents, fines and advertising)	27,008	13,835
	39,026	25,231

Note 4. Fleet running expenses

	2021 $'000	2020 $'000
Fuel	30,909	37,592
Fleet maintenance	23,591	23,901
	54,500	61,493

Note 5. Personnel services

	2021 $'000	2020 $'000
Personnel services provided by Transport Service of NSW	319,008	331,844

Note 6. Depreciation and amortisation

	2021 $'000	2020 $'000
Depreciation expense - Property, plant and equipment	944	1,050
Amortisation expense - Intangible assets	2,884	2,174
Depreciation expense - Right-of-use assets	183	113
	4,011	3,337

Refer Note 12 (ii) and (vi) for measurement policies on depreciation and amortisation.

Note 7. Finance costs

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

	2021 $'000	2020 $'000
Interest expense	2	3

Note 8. Operating expenses

Insurance

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

Repairs and maintenance

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

	2021 $'000	2020 $'000
Insurance expense	15,349	15,478
Expense relating to short-term leases	144	221
Consultants and other contractors	1,015	887
Impairment	-	4,631
Repairs and maintenance	2,415	2,669
Taxes and tolls	2,188	2,101
Cleaning, waste and pest control	4,334	4,332
Other (includes corporate and shared services)	31,529	24,495
	56,974	54,814

Note 9. Current assets - cash and cash equivalents

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

	2021 $'000	2020 $'000
Cash at bank and on hand	54,031	34,577
Amount expected to be recovered within 12 months	54,031	34,577

Note 10. Trade and other 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.

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

ECLs are recognised in two stages. For credit exposures where there has not been a significant increase in credit risk since initial recognition, ECLs are based on default events possible within the next 12 months (i.e. a 12-month ECL). If there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (i.e. a lifetime ECL). In addition, the Authority considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

Other financial assets are subject to an annual review for impairment. These are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the asset, the estimated future cash flows have been affected. The Authority first assesses whether impairment exists individually for other financial assets that are individually significant, or collectively for those that are not individually significant. Further, other financial assets are assessed for impairment on a collective basis if they were assessed not to be impaired individually.

	2021 $'000	2020 $'000
Trade debtors	27,829	32,855
Sundry debtors	2,552	1,398
Prepayments	1,662	1,704
	32,043	35,957
Amount expected to be recovered within 12 months	32,043	35,957

Note 11. Inventories

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

	2021 $'000	2020 $'000
Mechanical and electrical spares	3,781	4,218
Distillate	470	440
Tyres	210	193
Other	2,748	2,302
	7,209	7,153
Amount expected to be recovered within 12 months	7,209	7,153

Note 12. 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 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. These assets are also non-specialised in nature. The Authority has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

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 current replacement cost. Current 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.

(ii) Depreciation/Amortisation

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

Plant and equipment 3-40 years
Intangibles 2-3 years
Motor vehicles 4-10 years

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

The residual values, useful lives, amortisation and depreciation methods of assets are reviewed, and adjusted if appropriate, during each reporting period (including for the impact of the transition).

Note 12. Property, plant and equipment (continued)

(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 are shown in the financial statements as work-in-progress and are not depreciated.

(v) Repairs and 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.

(vii) Right-of-Use Assets acquired by lessees (under AASB 16 from 1 July 2019)

From 1 July 2019, AASB 16 Leases (AASB 16) requires a lessee to recognise a right-of-use asset for most leases. The Authority has elected to present right-of-use assets separately in the Statement of Financial Position.

Therefore, at that date property, plant and equipment recognised under leases previously treated as finance leases under AASB 117 are derecognised. The right-of-use assets arising from these leases are recognised and included in the separate line item together with those right-of-use assets arising from leases previously treated as operating leases under AASB 117. Further information on leases is contained at Note 1 and 13.

	2021 $'000	2020 $'000
Plant and equipment	24,267	39,467
Less: Accumulated depreciation	(20,999)	(35,567)
	3,268	3,900
Motor vehicles	1,149	1,419
Less: Accumulated depreciation	(1,088)	(1,314)
	61	105
Work-in-progress	91	436
	3,420	4,441
Amount expected to be recovered within 12 months	3,420	4,441

Note 12. 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:

	Plant and equipment $'000	Motor Vehicles $'000	Work-in-progress $'000	Total $'000
Balance at 1 July 2019	4,490	160	1,560	6,210
Additions	427	-	1,772	2,199
Disposals/transfer	(22)	-	(1,157)	(1,179)
Other	-	-	(1,739)	(1,739)
Depreciation expense	(995)	(55)	-	(1,050)
Balance at 30 June 2020	3,900	105	436	4,441
Additions	315	-	-	315
Disposals/transfer	(34)	(13)	(345)	(392)
Depreciation expense	(913)	(31)	-	(944)
Balance at 30 June 2021	3,268	61	91	3,420

Note 13. Right-of-use asset

The Authority leases Radio Base Stations and Motor Vehicles under varied agreements with options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated. They are depreciated over 3-4 years or as adjusted for other circumstances.

The right-of-use assets are subsequently measured at cost. They are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. The right-of-use assets are also subject to impairment. The Authority assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Authority estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. After an impairment loss has been recognised, it is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the net result.

	2021 $'000	2020 $'000
Plant and equipment - right-of-use	165	347
Less: Accumulated depreciation	(114)	(113)
	51	234
Amount expected to be recovered within 12 months	51	234

Note 14. Intangible assets

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 (Refer Note 12(ii)). The amortisation rates have been revised from 1 May 2021 to fully write-off Intangibles by 30 June 2022. It is further based upon the judgement that the software will continue to be used until 30 June 2022, which is the date that all the financial requirements are planned to be completed.

Note 14. Intangible assets (continued)

	2021 $'000	2020 $'000
Software	15,087	15,290
Less: Accumulated amortisation	(11,789)	(9,108)
	3,298	6,182
Amount expected to be recovered within 12 months	3,298	6,182

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 2019	5,646	5,360	11,006
Additions	2,710	1,971	4,681
Disposals/derecognition	-	(2,717)	(2,717)
Impairment of assets	-	(4,614)	(4,614)
Amortisation expense	(2,174)	-	(2,174)
Balance at 30 June 2020	6,182	-	6,182
Amortisation expense	(2,884)	-	(2,884)
Balance at 30 June 2021	3,298	-	3,298

Note 15. Other

	2021 $'000	2020 $'000
Other	-	202
Amount expected to be recovered within 12 months	-	202

Note 16. Trade and other payables

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

	2021 $'000	2020 $'000
Trade creditors	6,385	7,267
Personnel services liability to Transport Service of NSW	259,169	281,968
Other creditors and accruals	2,782	1,914
Goods and services tax	906	117
	269,242	291,266
Amount expected to be settled within 12 months	269,242	291,266

Refer to note 20 for further information on financial instruments.

Note 17. Provisions

	2020 $'000	2019 $'000
Others	2,308	2,245
Amount expected to be settled within 12 months	2,308	2,245

Other provisions
This includes a provision for claims for public liability including third party property damage. Provisions exist when the Authority has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each reporting date, and the cost is charged to the Statement of Comprehensive Income.

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

2021	**$'000**
Carrying amount at the start of the year	2,245
Additions	2,194
Payments	(2,703)
Actuarial adjustment	572
Carrying amount at the end of the year	2,308

Note 18. Lease liabilities

	2021 $'000	2020 $'000
Lease liability	54	221
Amount expected to be settled within 12 months	54	221

The following table presents liabilities under leases:

	Lease liabilities ($'000)
Balance at 1 July 2020	221
Additions	0
Interest expenses	(2)
Payments	(170)
Other	5
Balance at 30 June 2021	54

Note 19. Retained deficit

	2021 $'000	2020 $'000
Accumulated deficits at the beginning of the financial year	(204,986)	(203,586)
Surplus/(deficit) for the year	33,434	(1,400)
Accumulated deficits at the end of the financial year	(171,552)	(204,986)

Note 20. 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. These policies include identification and analysis of the risk exposure of the Authority and appropriate procedures, controls and risk limits.

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

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

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

When the Authority has transferred its rights to receive cash flows from an asset or has entered into an arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. Where the Authority has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset continues to be recognised to the extent of the Authority's continuing involvement in the asset. In that case, the Authority also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Authority has retained.

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. The Authority is not exposed to any interest rate risk at balance date as interest rate is fixed for financial assets and liabilities.

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 Authority recognises an allowance for expected credit loss for all debt financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows and the cash flows that the entity expects to receive, discounted at the original effective interest rate. For trade receivables, the Authority applies a simplified approach in calculating ECLs. The Authority recognises a loss allowance based on lifetime ECLs at each reporting date. The Authority has established a provision matrix based on its historical credit loss experience for trade receivables, adjusted for forward-looking factors specific to the receivable.

Note 20. Financial instruments (continued)

The impact for Authority since adoption of AASB 9 Financial Instruments is not significant as receivables and liabilities are classified as held at amortised cost and there are no additional impairment provisions for receivables due to the majority of the balance being from TfNSW which enjoys a high quality credit rating. The risk associated with default is very low and therefore ECL is nil.

	2021 $'000	2020 $'000
Class of financial assets*		
Cash and cash equivalents	54,031	34,577
Trade debtors (Receivables at amortised cost)	27,829	32,855
Sundry debtors (Receivables at amortised cost)	2,552	1,398
Total	84,412	68,830

* a) Excludes statutory receivables and prepayments (not within scope of AASB 7)
b) Excludes statutory payables and unearned revenue (not within scope of AASB 7)

	2021 $'000	2020 $'000
Class of financial liabilities		
Trade creditors (Financial liabilities measured at amortised cost)	6,385	7,267
Other creditors and accruals (Financial liabilities measured at amortised cost)	2,782	1,914
Lease liabilities	54	221
Total	9,221	9,402

Allowance for expected credit losses
The Authority has recognised $nil for the year ended 30 June 2021 in profit or loss in respect of impairment of receivables ($nil for the year ended 30 June 2020).

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

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

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 20. 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.

2021	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						
Trade creditors	-	6,385	-	-	-	6,385
Other creditors and accruals	-	2,782	-	-	-	2,782
Total non-derivatives		9,167	-	-	-	9,167

2020	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						
Trade creditors	-	7,267	-	-	-	7,267
Other creditors and accruals	-	1,914	-	-	-	1,914
Total non-derivatives		9,181	-	-	-	9,181

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 21. Related party transactions

(a) Key Management Personnel Compensation

During the year, the entity incurred $2 million in respect of the key management personnel services that are provided by the Transport Service of NSW ($2.8 million for the year ended 30 June 2020).

(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 (DoT). 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 (Note 1). These transactions are reflected in operational revenue. The transactions with TS relate to personnel services and are reflected in personnel services expenses (Statement of Comprehensive Income) and personnel services liability (Note 16). These transactions are conducted on normal terms and conditions.

Note 22. 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:

	2020 $'000	2019 $'000
Audit services - Audit Office of NSW		
Audit of the financial statements	192,500	192,500

Note 23. Contingencies

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

Note 24. Events after the reporting period

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while there has been financially no material effect upon the operations of the Authority up to 30 June 2021, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the NSW Government including Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

The operation of the Western Region was awarded to Busways on 30 July 2021 and there is no financial impact of this announcement at the time of approving the financial statements (Refer Note 1).

No other matter or circumstance has arisen since 30 June 2021 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 25. Reconciliation of surplus/(deficit) to net cash from/(used in) operating activities

	2021 $'000	2020 $'000
Surplus/(deficit) for the year	33,434	(1,400)
Adjustments for:		
Amortisation of intangible assets	2,884	2,174
Depreciation	944	1,050
Depreciation - Right-of-use assets	183	113
Net loss/(gain) on disposal of assets	(59)	(26)
Actuarial adjustments	3,269	-
Personnel services	(17,972)	883
Other non-cash items	11,182	(2,779)
Change in assets and liabilities:		
(Increase)/decrease in receivables	3,914	(302)
(Increase)/decrease in inventory	(56)	686
Increase/(decrease) in Goods and Services Tax	789	(1,939)
(Increase)/decrease in other assets	202	(109)
Increase/(decrease) in payables	(22,813)	(9,879)
Increase/(decrease) in provisions	63	(883)
Increase/(decrease) in other payables	(167)	167
(Increase)/decrease in assets	4,088	-
Net cash from/(used in) operating activities	19,885	(12,244)

State Transit
27 Derbyshire Road
Leichhardt NSW 2040

www.transport.nsw.gov.au/state-transit

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