State Transit Authority Annual Report

Volume 2 | 2021–2022

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State Transit Authority of NSW
Statement by Chief Executive Officer
30 June 2022

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 2022 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 Officer

DATED - 12 October 2022

State Transit Authority of NSW

Audited Financial Statements for the year ended - 30 June 2022

State Transit Authority of NSW
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State Transit Authority of NSW
Statement of comprehensive income
For the year ended 30 June 2022

	Note	2022 $'000	2021 $'000
Revenue			
Operational revenue	2	199,979	428,903
Other income	3	21,878	39,026
Total revenue		221,857	467,929
Expenses			
Fleet running expenses	4	(29,916)	(54,500)
Personnel services	5	(191,775)	(319,008)
Depreciation and amortisation	6	(4,090)	(4,011)
Finance costs	7	-	(2)
Operating expenses	8	(40,719)	(56,974)
Total expenses		(266,500)	(434,495)
Surplus/(deficit) for the year		(44,643)	33,434
Other comprehensive income for the year		-	-
Total comprehensive income for the year		(44,643)	33,434

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 2022

	Note	2022 $'000	2021 $'000
Assets			
Cash and cash equivalents	9	-	54,031
Trade and other receivables	10	-	32,043
Inventories	11	-	7,209
Property, plant and equipment	12	-	3,420
Right-of-use assets	13	-	51
Intangible assets	14	-	3,298
Total assets		-	100,052
Liabilities			
Trade and other payables	15	-	269,242
Provisions	16	-	2,308
Lease liabilities	17	-	54
Total liabilities		-	271,604
Net liabilities		-	(171,552)
Equity			
Retained deficit	18	-	(171,552)
Total deficiency in equity		-	(171,552)

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 2022

	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)

	Retained deficit $'000	Total equity $'000
Balance at 1 July 2021	(171,552)	(171,552)
Deficit for the year	(44,643)	(44,643)
Other comprehensive income for the year	-	-
Total comprehensive income for the year	(44,643)	(44,643)
Increase in net assets from equity transfers	216,195	216,195
Balance at 30 June 2022	-	-

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 2022

	Note	2022 $'000	2021 $'000
Cash flows from operating activities			
Receipts from operations		230,025	449,011
Other receipts		35,367	41,582
Interest received		53	74
Payments to suppliers		(301,945)	(470,780)
Finance costs		(1)	(2)
Net cash from/(used in) operating activities	24	(36,501)	19,885
Cash flows from investing activities			
Purchases of property, plant and equipment		(8)	(345)
Proceeds from disposal of property, plant and equipment		2,121	84
Net cash from/(used in) investing activities		2,113	(261)
Cash flows from financing activities			
Equity transfer of cash		(19,468)	-
Payment of principal portion of lease liabilities		(175)	(170)
Net cash used in financing activities		(19,643)	(170)
Net increase/(decrease) in cash and cash equivalents		(54,031)	19,454
Cash and cash equivalents at the beginning of the financial year		54,031	34,577
Cash and cash equivalents at the end of the financial year	9	-	54,031

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 (the 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.

The Authority operated under five years contracts with the NSW Government to operate bus services in three contract regions which were effective from 1 July 2018. On 24 October 2019, the Government invited private sector operators to compete to run bus services in the Eastern, Western and Northern Region. The award for the operation of Northern Region was awarded to Keolis Downer on 28 May 2021, Western Region was awarded to Busways on 30 July 2021 and Eastern Region was awarded to Transdev John Holland Buses (NSW) on 26 November 2021 after tender process which was coordinated by TfNSW. The transition dates were staggered for the 3 regions and were completed by 31 October 2021 for Northern region, 9 January 2022 for Western region and 3 April 2022 for Eastern region. The Authority leased depot and buses under peppercorn leases from TfNSW until the 3 contract regions were progressively handed over to the private operators (refer to section on equity transfer on further details of assets and liabilities transfer).

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 ceased operations on 3 April 2022. All non-current assets and liabilities were 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 & equipment and inventory has been sold to the new operator or a third party, where possible. The liability to the Transport Service of New South Wales (TS) in connection with employee entitlements were equity transferred to TfNSW. The amounts relating to super defined benefit entitlements was assumed by NSW Treasury on 6 December 2021 (Region 7 and 9). Any other unsettled assets and liabilities were equity transferred to TfNSW as per vesting order dated 30 April 2022. The Authority will continue to exist as a legal entity for the foreseeable future until dissolved by Parliament. The Authority is also considering to obtain financial reporting exemptions under the GSF Act from NSW Treasury for future reporting periods until dissolved.

Coronavirus (COVID-19)
Judgement has been exercised in considering the impacts that the COVID-19 pandemic has had, or may have, on the Authority based on known information. This consideration extends to the nature of the services offered, customers, supply chain, staffing and geographic regions in which the Authority operates. There does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Authority unfavourably as at the reporting date as a result of the COVID-19 pandemic.

Note 1. Summary of significant accounting policies (continued)

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.

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 remeasurement 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 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. Unsettled provisions were equity transferred to TfNSW (Refer Equity Transfer Note).

Note 1. Summary of significant accounting policies (continued)

Personnel services

Staff of the Authority are employed by 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. The personnel services liability related to the unfunded portion of the defined benefit superannuation schemes of SAS Trustee Corporation Pooled Fund were transferred to the NSW Treasury on 6 December 2021 (Region 7 and 9). All other staff provisions were equity transferred to TfNSW.

(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.

(iv) Restructuring and Redundancies

A personnel services liability for restructuring costs, including redundancy costs comprising severance and incentive payments, is recognised in the accounts when it is probable that STA 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. Redundancy costs are applicable to award staff, and are known with certainty once a formal offer made to a staff member has been accepted in writing. For Senior Service staff, redundancies are handled by notification to the staff member of an end to their contract (ie. there are no severance or incentive payments). Payments in lieu of notice, and for the clearance of leave entitlements, are not considered redundancy costs.

A personnel services liability was recognised for the severance and incentive components of redundancies accepted by staff but not paid as at 30 April 2022.

Note 1. Summary of significant accounting policies (continued)

(v) Superannuation on Annual Leave Loading

The Authority has determined that it is not probable a liability arises to pay superannuation on annual leave loading. This position has been formed based on current inquiries, other information currently available to management, and after considering the facts from a decision in the Federal Court of Australia: Finance Sector Union of Australia v Commonwealth Bank of Australia [2022] FedCFamC2G 409. That decision confirmed that, in relation to the industrial agreement considered in that case, annual leave loading did not form part of ordinary time earnings and therefore, did not require superannuation contributions to be made under superannuation guarantee legislation because the obligation to pay annual leave loading was not referable to ordinary hours of work or to ordinary rates of pay. Rather, it was paid by reference to the period of annual leave, and for the purpose of compensating employees for their loss of opportunity to work additional hours at higher rates during this period.

This position will be re-assessed in future reporting periods as new information comes to light on this matter.

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 Contributions, TPP21-08 Contributions by owners made to wholly-owned Public Sector Entities 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.

STA equity transferred below assets and liabilities amounting to ($83.7M) to TfNSW on 30 April 2022.

· Plant and Equipment including Motor Vehicles - $1.6M
. Intangibles Assets - $0.6M
· Cash - $19.5M
· Debtors - $13.0M
· Creditors – ($84.3M)
· Provisions - ($1.4M)
· Personnel Services – ($32.7M)

An unfunded defined benefits superannuation liability amounting to ($132.5M), which was disclosed as a personnel service payable to TS, was assumed by NSW Treasury on 6 December 2021.

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.

Note 1. Summary of significant accounting policies (continued)

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:

Effective for the first time in 2021-22

There were several amendments and interpretations that apply for the first time in FY2021-22, but do not have an impact on the financial statements of the Authority.

Issued but not yet effective

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 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 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates
AASB 2021-7a-c Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections
AASB 17 Insurance Contracts
AASB 2020-5 Amendments to Australian Accounting Standards – Insurance Contracts

The Authority does not expect any significant impact from these new standards issued but not yet effective.

Note 2. Operational revenue

Operational Revenue consists of revenue derived from fares, charters and bus service contracts. The recognition and measurement criteria is 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.

A contract offset was applied to reduce contract payments of $45m in the November 21 to January 22 invoices. This was specified in the payment schedules to the operating agreements between TfNSW and Authority.

	2022 $'000	2021 $'000
Operational revenue	199,979	428,903

Note 3. Other income

Other income consists of interest, grants, rents, fines, advertising and resource received free of charge from TfNSW. The recognition and measurement criteria is 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 was recognised in accordance with the contract. Due to Covid the monthly minimum guarantee was provisionally suspended in April 2020 and was replaced with a sliding scale revenue share agreement. From a base of 55%, STA revenue share was increased to 70% as advertising revenue improved.

TfNSW provided STA with a grant amounting to $11.6M that covered its costs for May and June 2022.

Note 3. Other income (continued)

	2022 $'000	2021 $'000
Interest (includes finance lease income)	53	75
Gains on disposal of assets	1,023	59
Grants and contributions	11,622	11,884
Other (includes fines and advertising)	9,180	27,008
	21,878	39,026

Note 4. Fleet running expenses

	2022 $'000	2021 $'000
Fuel	18,843	30,909
Fleet maintenance	11,073	23,591
	29,916	54,500

Note 5. Personnel services

	2022 $'000	2021 $'000
Personnel services provided by Transport Service of NSW	191,775	319,008

Note 6. Depreciation and amortisation

	2022 $'000	2021 $'000
Depreciation expense - Property, plant and equipment	637	944
Amortisation expense - Intangible assets	3,297	2,884
Depreciation expense - Right-of-use assets	156	183
	4,090	4,011

Refer Note 12 (ii) and 13 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.

	2022 $'000	2021 $'000
Interest expense	-	2

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 & 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.

	2022 $'000	2021 $'000
Insurance expense	14,658	15,349
Expense relating to short-term leases	58	144
Consultants and other contractors	592	1,015
Repairs & maintenance	1,530	2,415
Taxes & tolls	747	2,188
Cleaning, waste & pest control	2,424	4,334
Other (includes corporate and shared services)	20,710	31,529
	40,719	56,974

Note 9. Cash and cash equivalents

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

	2022 $'000	2021 $'000
Cash at bank and on hand	-	54,031
Amount expected to be recovered within 12 months	-	54,031

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.

Note 10. Trade and other receivables (continued)

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.

	2022 $'000	2021 $'000
Trade debtors	-	27,829
Sundry debtors	-	2,552
Prepayments	-	1,662
	-	32,043
Amount expected to be recovered within 12 months	-	32,043

Note 11. Inventories

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

	2022 $'000	2021 $'000
Mechanical and electrical spares	-	3,781
Distillate	-	470
Tyres	-	210
Other	-	2,748
	-	7,209
Amount expected to be recovered within 12 months	-	7,209

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 (TPP21-09) which requires that non-current assets be measured at fair value, except for Plant & Equipment and Motor Vehicles. 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.

(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:

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).

(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 & 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.

Note 12. Property, plant and equipment (continued)

	2022 $'000	2021 $'000
Plant and equipment	-	24,267
Less: Accumulated depreciation	-	(20,999)
	-	3,268
Motor vehicles	-	1,149
Less: Accumulated depreciation	-	(1,088)
	-	61
Work-in-progress	-	91
	-	3,420
Amount expected to be recovered within 12 months	-	3,420

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

	Plant & equipment $'000	Motor Vehicles $'000	Work-in-progress $'000	Total $'000
Balance at 1 July 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
Additions	8	-	-	8
Disposals/transfer	(1,098)	-	(91)	(1,189)
Reclassification between PPE classes	(90)	90	-	-
Equity Transfer	(1,471)	(133)	-	(1,604)
Depreciation expense	(617)	(18)	-	(635)
Balance at 30 June 2022	-	-	-	-

Note 13. Right-of-use assets

The Authority leased 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. It is 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.

All right-of-use assets were either fully depreciated or disposed in the 2021-22 financial year.

Note 13. Right-of-use assets (continued)

	2022 $'000	2021 $'000
Plant and equipment - right-of-use	-	165
Less: Accumulated depreciation	-	(114)
	-	51
Amount expected to be recovered within 12 months	-	51

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 were revised on 1 May 2021 to fully write-off Intangibles by 30 June 2022.

	2022 $'000	2021 $'000
Software	-	15,087
Less: Accumulated amortisation	-	(11,789)
	-	3,298
Amount expected to be recovered within 12 months	-	3,298

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 2020	6,182	-	6,182
Amortisation expense	(2,884)	-	(2,884)
Balance at 30 June 2021	3,298	-	3,298
Equity Transfer	(550)	-	(550)
Amortisation expense	(2,748)	-	(2,748)
Balance at 30 June 2022	-	-	-

Note 15. 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.

	2022 $'000	2021 $'000
Trade creditors	-	6,385
Personnel services liability to Transport Service of NSW	-	259,169
Other creditors and accruals	-	2,782
Goods and services tax	-	906
	-	269,242
Amount expected to be settled within 12 months	-	269,242

Refer to note 19 for further information on financial instruments.

Note 16. Provisions

	2022 $'000	2021 $'000
Others	-	2,308
Amount expected to be settled within 12 months	-	2,308

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:

2022	$'000
Carrying amount at the start of the year	2,308
Additions	481
Payments	(1,101)
Equity Transfer	(1,439)
Actuarial adjustment	(249)
Carrying amount at the end of the year	-

Note 17. Lease liabilities

	2022 $'000	2021 $'000
Lease liability	-	54
Amount expected to be settled within 12 months	-	54

The following table presents liabilities under leases:

	Lease liabilities ($'000)
Balance at 1 July 2021	54
Additions	122
Interest expenses	(1)
Payments	(175)
Balance at 30 June 2022	-

Note 18. Retained deficit

	2022 $'000	2021 $'000
Accumulated deficits at the beginning of the financial year	(171,552)	(204,986)
Surplus/(deficit) for the year	(44,643)	33,434
Increase in net assets from equity transfer	216,195	-
Accumulated deficits at the end of the financial year	-	(171,552)

Note 19. 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.

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 a 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.

Note 19. Financial instruments (continued)

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.

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 high quality credit rating. The risk associated with default is very low and therefore ECL is nil.

	2022 $'000	2021 $'000
Class of financial assets*		
Cash and cash equivalents	-	54,031
Trade debtors (Receivables at amortised cost)	-	27,829
Sundry debtors (Receivables at amortised cost)	-	2,552
Total	-	84,412

*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)

	2022 $'000	2021 $'000
Class of financial liabilities		
Trade creditors (Financial liabilities measured at amortised cost)	-	6,385
Other creditors and accruals (Financial liabilities measured at amortised cost)	-	2,782
Lease liabilities	-	54
Total	-	9,221

Allowance for expected credit losses
The Authority has recognised $nil for the year ended 30 June 2022 in profit or loss in respect of impairment of receivables ($nil for the year ended 30 June 2021).

Note 19. Financial instruments (continued)

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".

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.

In 2021-22, there were no non-interest bearing liabilities as they were transferred to TfNSW as at 30 April 2022.

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

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 20. Related party transactions

(a) Key Management Personnel Compensation

During the year, the entity incurred $2.1m in respect of the key management personnel services that are provided by the Transport Service of NSW ($2m for the year ended 30 June 2021).

(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 equity transfer as per vesting order (Note 1). These transactions are reflected in operational revenue and retained earnings. The transactions with TS relate to personnel services and are reflected in personnel services expenses (Statement of Comprehensive Income) and personnel services liability (Note 15). These transactions are conducted on normal terms and conditions.

Note 21. 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:

	2022 $	2021 $
Audit services - Audit Office of NSW		
Audit of the financial statements	169,000	192,500

Note 22. 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 23. Events after the reporting period

No matter or circumstance has arisen since 30 June 2022 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 24. Reconciliation of surplus/(deficit) to net cash from/(used in) operating activities

	2022 $'000	2021 $'000
Surplus/(deficit) for the year	(44,643)	33,434
Adjustments for:		
Amortisation of intangible assets	3,297	2,884
Depreciation	637	944
Depreciation - Right-of-use assets	156	183
Net loss/(gain) on disposal of assets	(1,023)	(59)
Actuarial adjustments	(865)	3,269
Personnel services	4,182	(17,972)
Other non-cash items	(8,101)	11,182
Change in assets and liabilities:		
(Increase)/decrease in receivables	19,180	3,914
(Increase)/decrease in inventory	7,193	(56)
Increase/(decrease) in Goods and Services Tax	(1,125)	789
(Increase)/decrease in other assets	-	202
Increase/(decrease) in payables	(19,029)	(22,813)
Increase/(decrease) in provisions	(2,308)	63
Increase/(decrease) in other payables	1,389	(167)
(Increase)/decrease in assets	4,559	4,088
Net cash from/(used in) operating activities	(36,501)	19,885

End of Financial Statements for the year ended 30 June 2022.

INDEPENDENT AUDITOR'S REPORT

State Transit Authority of NSW

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of State Transit Authority of NSW (the Authority), which comprises the Statement by Chief Executive Officer, the Statement of comprehensive income for the year ended 30 June 2022, the Statement of financial position as at 30 June 2022, the Statement of changes in equity and the 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:

- have been prepared in accordance with Australian Accounting Standards and the applicable financial reporting requirements of the *Government Sector Finance Act 2018* (GSF Act), the Government Sector Finance Regulation 2018 (GSF Regulation) and the Treasurer's Directions
- presents fairly the Authority's financial position, financial performance and cash flows.

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 (including Independence Standards)' (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.

Emphasis of Matter

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 liquidation basis as the Authority's principal activities ceased operations on 3 April 2022. The Authority will continue to exist as a legal entity until it is dissolved by an Act of Parliament.

My opinion is not modified in respect of this matter.

Chief Executive Officer’s Responsibilities 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, the GSF Act, GSF Regulation and Treasurer's Directions. The Chief Executive Officer's responsibility also includes such internal control as the Chief Executive Officer determines 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 is responsible for assessing the Authority’s ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority ceases operations or is dissolved by an Act of Parliament.

Auditor’s Responsibilities 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.

The scope of my audit does not include, nor 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.

Nirupama Mani

Nirupama Mani
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

19 October 2022
SYDNEY

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NSW GOVERNMENT