



# FINANCIAL STATEMENTS



The auction of a limited range of slimline black Euro number plates raised over \$4.1 million for road safety funding.

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Sydney NSW 2001

### INDEPENDENT AUDITOR'S REPORT

#### ROADS AND TRAFFIC AUTHORITY OF NEW SOUTH WALES AND CONTROLLED ENTITY

To Members of the New South Wales Parliament

I have audited the accompanying financial report of the Roads and Traffic Authority of New South Wales (the Authority), and the Authority and controlled entity (the consolidated entity), which comprises the balance sheet as at 30 June 2007, and the operating statement, statement of recognised income and expense, cash flow statement, program statement - expenses and revenues, and summary of compliance with financial directives for the year then ended, and a summary of significant accounting policies and other explanatory notes. The consolidated entity comprises the Authority and the entity it controlled at the year's end or from time to time during the financial year.

#### Auditor's Opinion

In my opinion, the financial report:

- presents fairly, in all material respects, the financial position of the Authority and the consolidated entity as at 30 June 2007, and of their financial performance and their cash flows for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 45E of the *Public Finance and Audit Act 1983* (the PF&A Act) and the *Public Finance and Audit Regulation 2005*.

#### Chief Executive's Responsibility for the Financial Report

The Chief Executive of the Authority is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### Auditor's Responsibility

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

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

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

My opinion does not provide assurance:

- about the future viability of the Authority or consolidated entity,
- that they have carried out their activities effectively, efficiently and economically,
- about the effectiveness of their internal controls, or
- on the assumptions used in formulating the budget figures disclosed in the financial report.

#### Independence

In conducting this audit, the Audit Office has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A Act further promotes independence by:

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

Peter Achterstraat  
Auditor-General

SYDNEY  
5 October 2007

## ROADS AND TRAFFIC AUTHORITY

YEAR ENDED 30 JUNE 2007

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

1. The accompanying financial statements exhibit a true and fair view of the Authority's financial position as at 30 June 2007 and transactions for the year then ended,
2. The statements have been prepared in accordance with the provisions of the Public Finance and Audit Act 1983, the Public Finance and Audit Regulation 2005, the Treasurer's Directions and the directives of the Financial Reporting Code.

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



**Brett Skinner**  
Director, Finance and Commercial Development  
3 October 2007



**Les Wielings**  
Chief Executive  
3 October 2007

## BEGINNING OF AUDITED FINANCIAL STATEMENTS

### OPERATING STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Notes	Budget 2007 \$000	Consolidated		Parent	
			Actual 2007 \$000	Actual 2006 \$000	Actual 2007 \$000	Actual 2006 \$000
<b>Expenses excluding losses</b>						
Operating expenses						
– Employee related	2(a)	435,474	326,482	334,048	326,482	334,048
– Other operating expenses	2(b)	519,965	403,869	338,130	403,869	338,130
Maintenance	2(b)	574,749	687,844	680,258	687,844	680,258
Depreciation and amortisation	2(c)	755,427	774,070	697,118	774,070	697,118
Grants and subsidies	2(d)	11,199	10,119	10,875	10,119	10,875
Finance costs	2(e)	53,996	60,191	65,081	60,191	65,081
<b>Total expenses excluding losses</b>		<b>2,350,810</b>	<b>2,262,575</b>	<b>2,125,510</b>	<b>2,262,575</b>	<b>2,125,510</b>
Less:						
<b>Revenue</b>						
Sales of goods and services	3(a)	254,856	296,292	274,813	296,292	274,813
Investment income	3(b)	3055	7900	2649	7900	2649
Grants and contributions	3(c)	39,659	54,988	61,272	54,988	61,272
Other revenue	3(d)	92,885	132,993	65,776	132,993	65,776
<b>Total revenue</b>		<b>390,455</b>	<b>492,173</b>	<b>404,510</b>	<b>492,173</b>	<b>404,510</b>
Gain/(loss) on disposal	4(a)	252	3337	16,177	3337	16,177
Other gains/(losses)	4(b)	(1000)	(89,054)	(76,677)	(89,054)	(76,677)
<b>Net cost of services</b>	24	<b>1,961,103</b>	<b>1,856,119</b>	<b>1,781,500</b>	<b>1,856,119</b>	<b>1,781,500</b>
<b>Government contributions</b>						
Recurrent appropriation	6	1,449,120	1,449,120	1,475,806	1,449,120	1,475,806
Capital appropriation	6	1,512,310	1,512,310	1,037,323	1,512,310	1,037,323
<b>Total government contributions</b>		<b>2,961,430</b>	<b>2,961,430</b>	<b>2,513,129</b>	<b>2,961,430</b>	<b>2,513,129</b>
<b>SURPLUS FOR THE YEAR</b>	19	<b>1,000,327</b>	<b>1,105,311</b>	<b>731,629</b>	<b>1,105,311</b>	<b>731,629</b>

The accompanying notes form part of these financial statements.

# FINANCIAL STATEMENTS

## STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR THE YEAR ENDED 30 JUNE 2007

	Notes	Consolidated			Parent	
		Budget	Actual	Actual	Actual	Actual
		2007	2007	2006	2007	2006
		\$000	\$000	\$000	\$000	\$000
Net increase/(decrease) in asset revaluation reserve	19	–	2,762,388	(1,603,868)	2,762,388	(1,603,868)
Financial instruments – first time adoption	19	–	–	(22,298)	–	(22,298)
<b>Total income and expense recognised directly in equity</b>		–	<b>2,762,388</b>	<b>(1,626,166)</b>	<b>2,762,388</b>	<b>(1,626,166)</b>
Surplus for the year	19	–	1,105,311	731,629	1,105,311	731,629
Total income and expense recognised for the year		–	3,867,699	(894,537)	3,867,699	(894,537)

The accompanying notes form part of these financial statements.

# FINANCIAL STATEMENTS

## BALANCE SHEET AS AT 30 JUNE 2007

	Notes	Consolidated			Parent	
		Budget	Actual	Actual	Actual	Actual
		2007	2007	2006	2007	2006
		\$000	\$000	\$000	\$000	\$000
<b>ASSETS</b>						
<b>Current assets</b>						
Cash and cash equivalents	9	111,249	193,142	142,549	193,142	142,549
Receivables	10(a)	105,443	100,289	105,443	100,289	105,443
Inventories		7080	8034	7646	8034	7646
Other	12(a)	5703	54,799	5703	5404	5703
Non-current assets held for sale	13	38,282	60,958	38,282	60,958	38,282
<b>Total current assets</b>		<b>267,757</b>	<b>417,222</b>	<b>299,623</b>	<b>367,827</b>	<b>299,623</b>
<b>Non-current assets</b>						
Other financial assets	10(b)	75,087	90,763	83,802	90,763	83,802
Property, plant and equipment						
– Land and buildings	11(a)	2,855,071	2,785,692	2,845,071	2,785,692	2,845,071
– Plant and equipment	11(b)	88,269	97,361	100,761	97,361	100,761
– Infrastructure systems	11(c)	68,665,699	71,233,233	67,835,492	71,233,233	67,835,492
Intangible assets	12(c)	–	23,788	28,329	23,788	28,329
Other	12(b)	1,024,178	1,142,065	903,350	1,142,065	903,350
<b>Total non-current assets</b>		<b>72,708,304</b>	<b>75,372,902</b>	<b>71,796,805</b>	<b>75,372,902</b>	<b>71,796,805</b>
<b>Total Assets</b>		<b>72,976,061</b>	<b>75,790,124</b>	<b>72,096,428</b>	<b>75,740,729</b>	<b>72,096,428</b>
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Payables	14	460,331	439,489	464,857	730,875	915,464
Borrowings	15	145,972	146,855	145,972	146,855	145,972
Provisions	17	240,553	216,844	232,632	–	–
Other	18	146,633	127,110	142,941	127,110	142,941
<b>Total current liabilities</b>		<b>993,489</b>	<b>930,298</b>	<b>986,402</b>	<b>1,004,840</b>	<b>1,204,377</b>
<b>Non-current liabilities</b>						
Borrowings	15	612,272	692,080	685,810	692,080	685,810
Provisions	17	217,975	123,937	217,975	–	–
Other	18	695,068	695,551	725,682	695,551	725,682
<b>Total non-current liabilities</b>		<b>1,525,315</b>	<b>1,511,568</b>	<b>1,629,467</b>	<b>1,387,631</b>	<b>1,411,492</b>
<b>Total liabilities</b>		<b>2,518,804</b>	<b>2,441,866</b>	<b>2,615,869</b>	<b>2,392,471</b>	<b>2,615,869</b>
<b>Net assets</b>		<b>70,457,257</b>	<b>73,348,258</b>	<b>69,480,559</b>	<b>73,348,258</b>	<b>69,480,559</b>
<b>EQUITY</b>						
Reserves	19	27,829,667	30,569,964	27,829,667	30,569,964	27,829,667
Accumulated funds	19	42,627,590	42,778,294	41,650,892	42,778,294	41,650,892
<b>Total equity</b>		<b>70,457,257</b>	<b>73,348,258</b>	<b>69,480,559</b>	<b>73,348,258</b>	<b>69,480,559</b>

The accompanying notes form part of these financial statements.

# FINANCIAL STATEMENTS

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Notes	Consolidated			Parent	
		Budget	Actual	Actual	Actual	Actual
		2007	2007	2006	2007	2006
		\$000	\$000	\$000	\$000	\$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
<b>Payments</b>						
Employee related		(427,553)	(480,735)	(333,972)	(480,735)	(333,972)
Grants and subsidies		(11,970)	(67,229)	(10,875)	(67,229)	(10,875)
Finance costs		(52,391)	(61,755)	(75,511)	(61,755)	(75,511)
Other		(1,325,312)	(1,364,611)	(1,062,108)	(1,364,611)	(1,062,108)
<b>Total payments</b>		<b>(1,817,226)</b>	<b>(1,974,330)</b>	<b>(1,482,466)</b>	<b>(1,974,330)</b>	<b>(1,482,466)</b>
<b>Receipts</b>						
Sale of goods and services		254,988	289,137	170,670	289,137	170,670
Interest		3055	10,486	2541	10,486	2541
Other		241,145	306,824	83,314	306,824	83,314
<b>Total receipts</b>		<b>499,188</b>	<b>606,447</b>	<b>256,525</b>	<b>606,447</b>	<b>256,525</b>
<b>Cash flows from government</b>						
Recurrent appropriation		1,412,889	1,421,070	1,475,806	1,421,070	1,475,806
Capital appropriation		1,524,912	1,512,310	1,037,323	1,512,310	1,037,323
<b>Net cash flows from government</b>		<b>2,937,801</b>	<b>2,933,380</b>	<b>2,513,129</b>	<b>2,933,380</b>	<b>2,513,129</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	25	<b>1,619,763</b>	<b>1,565,497</b>	<b>1,287,188</b>	<b>1,565,497</b>	<b>1,287,188</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Proceeds from sale of land and buildings, plant and equipment and infrastructure systems		23,102	29,400	49,704	29,400	49,704
Advance repayments received		9233	-	19,163	-	19,163
Purchases of land and buildings, plant and equipment and infrastructure systems		(1,608,225)	(1,552,139)	(1,420,670)	(1,552,139)	(1,420,670)
Advances made		-	-	-	-	-
Other		-	(92)	-	(92)	-
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(1,575,890)</b>	<b>(1,522,831)</b>	<b>(1,351,803)</b>	<b>(1,522,831)</b>	<b>(1,351,803)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Proceeds from borrowings and advances		8290	8290	21,900	8290	21,900
Repayment of borrowings and advances		(83,433)	(363)	-	(363)	-
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>(75,143)</b>	<b>7927</b>	<b>21,900</b>	<b>7927</b>	<b>21,900</b>
<b>NET INCREASE/(DECREASE) IN CASH</b>		<b>(31,270)</b>	<b>50,593</b>	<b>(42,715)</b>	<b>50,593</b>	<b>(42,715)</b>
Opening cash and cash equivalents		142,519	142,549	185,264	142,549	185,264
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	9	<b>111,249</b>	<b>193,142</b>	<b>142,549</b>	<b>193,142</b>	<b>142,549</b>

The accompanying notes form part of these financial statements.

# FINANCIAL STATEMENTS

## PROGRAM STATEMENT EXPENSES AND REVENUES FOR THE YEAR ENDED 30 JUNE 2007

	Road development *		Road management		Road user		M4/M5 Cashback Scheme		Not attributable		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Expenses excluding losses</b>												
Operating expenses												
- Employee related	3424	3508	245,917	251,605	77,141	78,935	-	-	-	-	326,482	334,048
- Other operating expenses	170,092	142,406	59,976	50,214	86,777	68,174	87,024	77,336	-	-	403,869	338,130
Maintenance	-	-	687,844	680,258	-	-	-	-	-	-	687,844	680,258
Depreciation and amortisation	757,716	681,572	7196	6832	9158	8714	-	-	-	-	774,070	697,118
Grants and subsidies	-	-	-	-	10,119	10,875	-	-	-	-	10,119	10,875
Finance costs	60,191	65,081	-	-	-	-	-	-	-	-	60,191	65,081
<b>Total expenses excluding losses</b>	<b>991,423</b>	<b>892,567</b>	<b>1,000,933</b>	<b>988,909</b>	<b>183,195</b>	<b>166,698</b>	<b>87,024</b>	<b>77,336</b>	<b>-</b>	<b>-</b>	<b>2,262,575</b>	<b>2,125,510</b>
<b>Revenue</b>												
Sales of goods and services	53,539	46,660	103,557	90,221	139,196	137,932	-	-	-	-	296,292	274,813
Investment income	1580	530	2369	795	3951	1325	-	-	-	-	7900	2650
Grants and contributions	42,395	46,319	9744	10,646	2849	3112	-	-	-	-	54,988	60,077
Other revenue	132,993	66,970	-	-	-	-	-	-	-	-	132,993	66,970
<b>Total revenue</b>	<b>230,507</b>	<b>160,479</b>	<b>115,670</b>	<b>101,662</b>	<b>145,996</b>	<b>142,369</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>492,173</b>	<b>404,510</b>
Gain/(loss) on disposal	3337	16,177	-	-	-	-	-	-	-	-	3337	16,177
Other gains/(losses)	(88,900)	(76,677)	-	-	(154)	-	-	-	-	-	(89,054)	(76,677)
<b>Net cost of services</b>	<b>846,479</b>	<b>792,588</b>	<b>885,263</b>	<b>887,247</b>	<b>37,353</b>	<b>24,329</b>	<b>87,024</b>	<b>77,336</b>	<b>-</b>	<b>-</b>	<b>1,856,119</b>	<b>1,781,500</b>
Government contributions											2,961,430	2,513,129
<b>NET EXPENDITURE/(REVENUE) FOR THE YEAR</b>	<b>846,479</b>	<b>792,588</b>	<b>885,263</b>	<b>887,247</b>	<b>37,353</b>	<b>24,329</b>	<b>87,024</b>	<b>77,336</b>	<b>(2,961,430)</b>	<b>(2,513,129)</b>	<b>(1,105,311)</b>	<b>(731,629)</b>

ADMINISTERED REVENUE	Road development *		Road management		Road user		M4/M5 Cashback Scheme		Not attributable		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Administered revenues</b>												
Transfer receipts												
Consolidated fund												
- Taxes, fees and fines											396,498	434,688
- Other											579,150	567,817
<b>Total administered revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>975,648</b>	<b>1,002,505</b>

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

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



## SUMMARY OF COMPLIANCE WITH FINANCIAL DIRECTIVES FOR THE YEAR ENDED 30 JUNE 2007

	2007			2006				
	Recurrent appropriation	Expenditure/net claim on consolidated fund	Capital appropriation	Expenditure/net claim on consolidated fund	Recurrent appropriation	Expenditure/net claim on consolidated fund	Capital appropriation	Expenditure/net claim on consolidated fund
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Original budget appropriation/ expenditure</b>								
<i>Appropriation Act</i>	1,412,889	1,412,889	1,524,912	1,524,912	1,467,398	1,467,398	1,022,587	1,022,587
Additional appropriations								
s21A PF&AA – special appropriation								
s24A PF&AA – transfers of functions between departments								
s26A PF&AA – Commonwealth specific purpose payments							7756	7756
					–	–	6980	6980
<b>Other appropriation/ expenditure</b>								
Treasurer's advance	31,529	31,529			–	–	–	–
Section 22 – expenditure for certain works and services								
Section 22A(2) – <i>Motor Vehicle Taxation Act</i> (hypothecation of motor vehicle tax)	9000	9000			11,248	11,248	–	–
Section 225 – <i>Roads Act</i> (hypothecation of heavy vehicle overloading fines)	898	898			1189	1189	–	–
Transfers to/from another agency (s28 of the <i>Appropriations Act</i> )	(965)	(965)			(588)	(588)	–	–
Other adjustments	(4231)	(4231)	(12,602)	(12,602)	(3441)	(3441)		
<b>Total appropriations/ expenditure/ Net claim on consolidated fund (includes transfer payments)</b>	<b>1,449,120</b>	<b>1,449,120</b>	<b>1,512,310</b>	<b>1,512,310</b>	<b>1,475,806</b>	<b>1,475,806</b>	<b>1,037,323</b>	<b>1,037,323</b>
<b>Amount drawn down against appropriation</b>		<b>1,449,120</b>		<b>1,512,310</b>		<b>1,503,856</b>		<b>1,037,323</b>
<b>Liability to consolidated fund</b>		–		–		<b>28,050</b>		–

The summary of compliance is based on the assumption that consolidated fund moneys are spent first. Consolidated funding for the RTA's Road Program is classified as recurrent and capital appropriation based upon the way in which the appropriations are expended. The program, as part of its appropriation, receives all the revenue from motor vehicle taxes in accordance with the *Motor Vehicle Taxation Act*, with the level of the funds from the motor vehicle taxes not known until 30 June each year.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS OF THE ROADS AND TRAFFIC AUTHORITY FOR THE YEAR ENDED 30 JUNE 2007

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Reporting entity

The Roads and Traffic Authority (RTA), as a reporting entity comprising all the entities under its control, namely the Roads and Traffic Authority Division of the Government Service of New South Wales, is responsible for:

- Testing and licensing drivers and registering and inspecting vehicles.
- Managing road usage to achieve consistent travel times, particularly during peak periods, by reducing congestion delays and helping the community use the road system more effectively.
- Improving road safety by encouraging better road user behaviour, ensuring compliance with regulations, improving roads and enhancing vehicle standards.
- Arterial road development, construction and maintenance, to meet community, environmental, regulatory and economic needs.
- Administration of the M4/M5 Cashback Scheme.

The RTA is a NSW Government department. The reporting entity is consolidated as part of the NSW Total State Sector Accounts, except in regard to the reporting of Land Under Roads. The RTA is a not-for-profit reporting entity for accounting purposes and it has no cash generating units.

These financial statements have been authorised for issue by the Audit and Risk Committee on 3 October 2007

#### (b) Basis of preparation

The RTA's financial statements are a general purpose financial report which has been prepared in accordance with:

- Applicable Accounting Standards and interpretations (which include Australian equivalents to International Financial Reporting Standards) and in particular Australian Accounting Standard AAS31 Financial Reporting by Governments.
- The requirements of the *Public Finance and Audit Act 1983* and regulation.
- The Financial Reporting Directions published in the Financial Reporting Code (FRC) for Budget Dependent General Government Sector Agencies or issued by the Treasurer under Section 9(2)(n) of the Act.

In the event of any inconsistency between accounting standards and legislative requirements, the latter are given precedence.

Except for the revaluation of certain non-current assets and financial instruments, the financial statements are prepared in accordance with the historical cost convention. Cost is based on the fair value of the consideration given in exchange for assets.

Judgements, estimates and associated assumptions about carrying values of assets and liabilities that are not readily apparent from other sources are based on historical experience and various other factors that are believed to be reasonable under the circumstance. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised. Judgements, estimates and assumptions made by management are disclosed in the relevant notes to the financial statements.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability.

Unless otherwise stated all amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

#### (c) New Accounting Standards and Interpretation

The RTA did not early adopt any new accounting standards that are not yet effective.

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2007 reporting periods. The following new Accounting Standards and Interpretations have not yet been adopted and are not yet effective:

- AASB 2 Share Based Payment (1 March 2007)
- AASB 7 Financial Instruments: Disclosure (1 January 2007) & AASB 2005-10 Amendments to Australian Accounting Standards (1 January 2007)
- AASB 8 Operating Segments (1 January 2009) & 2007-3 Amendments to Australian Accounting Standards from AASB 8 (1 January 2009)
- AASB 101 Presentation of Financial Statements (1 January 2007)
- AASB 123 Borrowing Costs (1 January 2009) & 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 (1 January 2009)
- AASB 1045 Land Under Roads: Amendments to AAS 27A, AAS 29A and AAS 31A (31 December 2006) & 2006-3 Amendments to Australian Accounting Standards (31 December 2006)
- AASB 1049 Financial Reporting of General Government Sectors by Governments (1 July 2008)
- 2007-4 Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments (1 July 2007)
- 2007-5 Amendments to Australian Accounting Standard – Inventories Held for Distribution by Not-for-Profit Entities (1 July 2007)

- Interpretation 4 Determining whether an Arrangement contains a Lease (1 January 2008)
- Interpretation 10 Interim Financial Reporting and Impairment (1 November 2006)
- Interpretation 11 Group and Treasury Share Transactions (1 March 2007) & AASB 2007-1 Amendments to Australian Accounting Standards arising from AASB Interpretation 11 (1 March 2007)
- Interpretation 12 Service Concession Arrangements (1 January 2008) & AASB 2007-2 Amendments to Australian Accounting Standards arising from AASB Interpretation 12 (1 January 2008)
- Interpretation 129 Service Concession Arrangements: Disclosures (1 January 2008)

It is considered that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the RTA.

## (d) Principles of consolidation

This financial report has been consolidated in accordance with Australian Accounting Standard AASB 127 'Consolidated and Separate Financial Statements' and includes the assets, liabilities, equities, revenues and expenses of the RTA including those entities controlled by the RTA.

On 17 March 2006 the government proclaimed the *Public Sector Employment Legislation Amendment Act 2006*. This Act made fundamental changes to the employment arrangements of many statutory corporations through amendments to the *Public Sector Employment and Management Act 2002* and other Acts. The result of the changes is that the status of RTA employees has been changed. They are now employees of the Government of New South Wales in the service of the Crown. RTA employees have been assigned to a Division of the Government Service titled 'Roads and Traffic Authority Division of the Government Service of New South Wales' (the Division).

The Division is a controlled entity of the RTA. Control is achieved when one entity has the power to govern the financial and operating policies of another entity.

The consolidated entity consists of the parent RTA entity and the Division. At the consolidated reporting level all transactions and balances between the RTA and the Division have been eliminated.

## (e) Administered activities

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

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

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

## (f) Income recognition

Income is measured at the fair value of the consideration or contribution received or receivable. Income is recognised when the RTA has control of the good or right to receive, it is probable that the economic benefits will flow to the RTA and the amount of the income can be measured reliably. Additional comments regarding the accounting policies for the recognition of income are discussed below:

### (i) Parliamentary appropriations and contributions from other bodies

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

An exception to the above is when appropriations are unspent at year end. In this case, the authority to spend the money lapses and generally the unspent amount must be repaid to the Consolidated Fund in the following financial year. As a result, unspent appropriations are accounted for as a liability rather than revenue.

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

### (ii) Sale of goods and rendering of services

Revenue from the sale of goods is recognised as revenue when the agency transfers the significant risks and rewards of ownership of the assets. User charges are recognised as revenue when the RTA obtains control of the assets that result from them.

Revenue from the rendering of services is recognised when the service is provided or by reference to the stage of completion.

### (iii) Rental income

Rental income is recognised as revenue on an accrual basis, in accordance with AASB 117 Leases on a straight-line basis over the lease term.

### (iv) Investment income

Interest revenue is recognised using the effective interest method as set out in AASB 139 Financial Instruments: Recognition and Measurement.

## (v) Gains and losses (in the Operating Statement)

Gains and losses generally arise from adjustments to the measurement of assets and liabilities. They include gains and losses on asset disposals and fair value adjustments to physical and financial assets, and to derivative assets.

### (vi) Emerging interests in private sector provided infrastructure (PSPI) projects

The value of the emerging right to receive the PSPI asset is treated as the compound value of an annuity that accumulates as a series of equal annual receipts together with a calculated notional compound interest. The discount rate used is the NSW 10 year Government bond at the commencement of the concession period.

### (vii) Amortisation of deferred revenue on PSPI projects

Reimbursement of development costs in the form of up front cash payments are treated as deferred revenue with an annual amortisation amount recognised over the life of the concession period.

## (g) Employee benefits and other provisions

### (i) Salaries and wages, annual leave, sick leave and on costs

Liabilities for salaries, wages (including non-monetary benefits) and annual leave are recognised and measured in respect of employees' services up to the reporting date where it is probable that settlement will be required and where they are capable of being measured reliably on an undiscounted basis.

Sick leave accrued by employees of the RTA is all non-vesting and does not give rise to a liability as it is not considered probable that sick leave taken in the future will be greater than the benefits accrued in the future.

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

### (ii) Long service leave and superannuation

Long service leave is determined by using the present value method in accordance with AASB 119 Employee Benefits. Market yields on government bonds of 5.880 per cent are used to discount long term annual leave. In prior years the short hand method was used. The short hand method was based on the remuneration rates at year end for all employees with five or more years of service together with an estimate for employees with less than five years service, based on the percentage who are expected to remain employed by the RTA long enough to be entitled to long service leave. The total liability calculated under the two methods is not materially different.

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

### (iii) Other provisions

Other provisions exist when the agency 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.

## (h) Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred, in accordance with Treasury's mandate to general government sector agencies.

## (i) Insurance

The RTA's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self insurance scheme for government agencies. The expense (premium) is determined by the Fund Manager based on past experience. CTP Insurance is arranged with a private sector provider by NSW Treasury. The RTA, from October 2001, introduced a Principal Arranged Insurance Scheme, which provides cover for all parties involved in its construction projects. This will ensure that these parties have appropriate insurance cover in place.

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

## (j) Accounting for the Goods and Services Tax (GST)

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

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

## (k) Acquisitions of assets

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the RTA. Cost is the amount of cash or cash equivalents paid for the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Australian Accounting Standards.

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

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

Where payment for an item is deferred beyond normal credit terms, its cost is the cash price equivalent. That is, the deferred payment amount is effectively discounted at an asset-specific rate.

## (I) Asset Management Policy

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

The cost of assets constructed for own use includes the cost of materials, direct labour, attributable interest, other financing costs and foreign exchange gains and losses arising during construction as well as an appropriate proportion of variable and fixed overhead costs that can be reliably attributed to the assets.

Plant and equipment costing above \$10,000 individually (or forming part of a network costing more than \$10,000) are capitalised.

Physical non-current assets are valued in accordance with the 'Valuation of Physical Non-current Assets at Fair Value' Policy and Guidelines Paper (TPP 07-01). This policy adopts fair value in accordance with AASB 116 Property, Plant and Equipment.

Property, plant and equipment is measured on an existing use basis, where there are no feasible alternative uses in the existing natural, legal, financial and socio-political environment. However, in the limited circumstances where there are feasible alternative uses, assets are valued at their highest and best use.

Fair value of property, plant and equipment is determined based on the best available market evidence, including current market selling prices for the same or similar assets. Where there is no available market evidence, the asset's fair value is measured at its market buying price, the best indicator of which is depreciated replacement cost.

Where an asset is specialised, or the market buying price and market selling price differ materially because the asset is usually bought and sold in different markets, or the asset would only be sold as part of the sale of the cash-generating operation of which the asset is a part, fair value is measured at its market buying price. The best indicator of an asset's market buying price is the replacement cost of the asset's remaining future economic benefits.

The RTA revalues each class of property, plant and equipment at least every five years or with sufficient regularity to ensure the carrying amount of each asset in the class does not differ materially from its fair value at the reporting date.

Non-specialised assets with short useful lives are measured at depreciated historical cost, as a surrogate for fair value.

When revaluing non-current assets by reference to current prices for assets newer than those being revalued (adjusted to reflect the present condition of the assets), the gross amount and the related accumulated depreciation are separately restated.

Otherwise, any balances of accumulated depreciation existing at the revaluation date in respect of those assets are credited to the asset accounts to which they relate. The net asset accounts are then increased or decreased by the revaluation increments or decrements.

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

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

As a not-for-profit entity, revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.

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

Assets acquired or constructed since the last revaluation are valued at cost.

### (i) Impairment of property, plant and equipment

As a not-for-profit entity with no cash generating units, the RTA is effectively exempted from AASB 136 Impairment of Assets and impairment testing. This is because AASB 136 modifies the recoverable amount test to the higher of fair value less costs to sell and depreciated replacement cost. This means that, for an asset already measured at fair value, impairment can only arise if selling costs are material. Selling costs are regarded as immaterial.

## (ii) Plant and equipment and intangible assets

Asset	Valuation policy	Depreciation/amortisation policy
Plant, equipment and vehicles (Minimum capital value \$10,000).	Carrying amount	Depreciated on the straight line method over the estimated useful life of between five and 20 years.
Computer hardware and intangible assets (Minimum capital value of \$1000 and \$10,000 respectively).	Carrying amount	Depreciated/amortised on the straight line method over the estimated useful life of between three and 10 years.
Electronic office equipment (Minimum capital value \$10,000)	Carrying amount	Depreciated on the straight line method over the estimated useful life of 10 years.

The carrying amount is considered to reflect the fair value of these assets.

Depreciation and valuation policies in respect of operational assets are subject to annual review.

Estimates of useful life for depreciation and amortisation purposes have been determined with due regard to a number of factors including the expected retention period by the entity and the underlying physical, technical and commercial nature of the assets as defined in AASB 116 Property, Plant and Equipment. In accordance with this standard the shortest alternative useful life is applied. Approximately \$81.046 million or 28.7 per cent of the RTA's assets in the categories of plant, equipment, vehicles, computer hardware and electronic office equipment are fully depreciated. (In 2005–06 it was \$72.246 million or 25.6 per cent). The percentage of fully depreciated assets should decrease progressively as they are replaced in future years.

## (iii) Land and buildings

Asset	Valuation policy	Depreciation policy
Land and buildings in service. Works administration properties. Officers' residences.	Land and buildings in service are generally valued at value in use (land) and written down replacement cost (buildings). Where such properties are rented externally they are valued at current market value. Land and buildings in service are revalued annually.	Buildings – Depreciated on the straight line basis over the estimated useful life of 40 years.
Land and buildings acquired for future roadworks. Rentable or surplus properties. Vacant land.	Current market value. The average rateable value per hectare of urban and rural areas within each Local Government Area (LGA). The distinction between urban and rural areas was determined by reference to the general land classification profile within each LGA. Land and buildings acquired for future roadworks are revalued progressively over a three year cycle. The current revaluation cycle commenced 2005–06.	No depreciation charged as buildings are not purchased to generate revenue but ultimately to be demolished for roadworks.
Leasehold improvements (Minimum capital value \$10,000).	Written down historic cost/revalued amount.	Amortised over the period of the lease, or the useful life of the improvement to the RTA, whichever is shorter.

Included in the value of land and buildings in service is an amount of \$12.831 million (in 2005–06 it was \$12.831 million) for buildings on Crown land. As the RTA effectively 'controls' this Crown land, it has been included in the RTA's balance sheet. Should such Crown land be transferred or disposed of, associated buildings are written off in the year the transfer or disposal takes place.

The RTA's land and buildings are valued by registered valuers. Land and buildings acquired for future roadworks comprise untenanted land for roads which is revalued annually and rental properties and surplus properties which are revalued progressively within a three year timeframe. The selection of assets within land and buildings acquired for future roadworks to be revalued in each reporting period within the current progressive revaluation is made by reference to the asset's acquisition date or previous revaluation date, to ensure each asset is revalued in the three year progressive revaluation timeframe. To accord with the disclosure requirements of AASB 116 Property Plant and Equipment regarding progressive revaluations, the aggregate carrying amount of land and buildings acquired for future roadworks comprises:

Commencement date of the current progressive revaluation – 1 July 2005  
Completion date of the current progressive revaluation – 30 June 2008



Category of land and building acquired for future roadworks	Aggregate carrying amount \$'000
Carried at cost of acquisition less, where applicable, any accumulated depreciation.	–
Carried at revalued amounts determined prior to the beginning of the current progressive revaluation less, where applicable, any accumulated depreciation.	–
Revalued as part of the current progressive revaluation and carried at fair value as at 30 June 2007 less, where applicable, any subsequent accumulated depreciation.	979,253
Revalued as part of the current progressive revaluation and carried at an amount other than fair value as at 30 June 2006 less, where applicable, any subsequent accumulated depreciation.	–
Carried at recoverable amount less, where applicable, any subsequent accumulated depreciation.	–
Untenanted land for roads – revalued annually not subject to progressive revaluation.	1,539,432
<b>Total land and buildings acquired for future roadworks at 30 June 2007 (see note 11(a)).</b>	<b>2,518,685</b>

## (iv) Infrastructure systems

Asset	Valuation policy	Depreciation policy
<b>Roads:</b>		
Earthworks	Written down replacement cost	Depreciated over estimated useful life of 100 years
Pavement	Written down replacement cost	Depreciated over estimated useful life dependant on pavement surface 15 years (unsealed) 20-50 years (flush seal/asphalt) 25-50 years (asphalt/concrete) 40-50 years (concrete)
<b>Bridges:</b>		
	Written down replacement cost	Depreciated over estimated useful life dependent on bridge type
Timber structures		60 years
Concrete structures		100 years
Steel structures		100 years
X Trusses (timber and steel)		60 years
High value bridges		200 years
Bridge size culverts/tunnels		100 years
<b>Traffic signals</b>	Written down replacement cost	Depreciated over estimated useful life of 20 years
<b>Traffic control network:</b>		
	Written down historic cost	Depreciated over estimated useful life of
Traffic systems		5–20 years
Transport Management Centre		5–20 years
Variable message signs		30 years
Land under roads and within road reserves	The average rateable value per hectare of urban and rural areas within each Local Government Area (LGA). The distinction made between urban and rural areas was determined by reference to the general land classification profile within each LGA.	No depreciation applied as land does not have a limited useful life

The RTA, being responsible for the development and management of the State's road network, has recognised the control aspect of some infrastructure assets and the ownership of other infrastructure assets when formulating policy in respect of the valuation and reporting of infrastructure. Roads, bridges and traffic signals are initially brought to account at cost.

The valuation policies provide for roads, bridges and the traffic signal network, to be revalued periodically using the modern equivalent replacement cost method. The traffic signal control network including variable message signage is valued at written down historic cost. Each road is assigned a value which equates to the cost of replacing that road to a modern equivalent asset and discounting the estimated value of modern features, such as noise walls, not present in the existing asset. In the case of bridges, such replacement cost is the cost to construct a new bridge to the modern standard. High value bridges are valued on an individual basis. The replacement cost of the traffic control network is based on the current cost to replace the SCATS system computers and peripherals. The replacement cost of the traffic signal network is the cost to reconstruct each site using the number and current cost of lanterns and electronic controllers at each site as the major components to determine the replacement cost.

The determination of unit replacement rates for road, bridge and traffic control signal infrastructure valuations is carried out at least every five years by suitably qualified engineering contractors and employees of the RTA.

Assets are recorded initially at construction cost and the annual percentage increase in the Road Cost Index (RCI) is applied each year until the following unit replacement review is undertaken. Subsequent to the review, infrastructure is valued using the unit replacement rates, adjusted by the RCI as applicable, except for Traffic Control Network.

In respect of land under roads and within road reserves, for 2006–07 valuations were calculated using the average rateable value per hectare Local Government Area (LGA). The distinction was made between urban and rural areas, by reference to the general land classification profile within each LGA.

In 2006–07 the data was provided by the Local Government Grants Commission and the Valuer General, on which the valuations of average rateable value are ordinarily based.

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

Accounting Standard AASB 116 Property, Plant and Equipment outlines factors to be considered in assessing the useful life of an asset for depreciation purposes. These factors include wear and tear from physical use and technological and commercial obsolescence.

Road assets are depreciated on the straight-line basis in accordance with AASB 116 Property, Plant and Equipment. The road assets are considered to consist of two components, pavement and non-pavement (comprising earthworks and road furniture), each with a corresponding useful service life.

Depreciation is calculated for each of the current 18,000 (approximately) road management segments and aggregated for each road and pavement type. Bridge assets are assessed by bridge type and depreciation is calculated on a straight line basis.

The respective provisions for depreciation of infrastructure assets recognise the total accumulated depreciation of those assets on a straight-line basis over the assessed useful life of those assets as at the end of the financial year.

## (v) Intangible assets

The RTA recognises intangible assets only if it is probable that future economic benefits will flow to the RTA and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition.

All research costs are expensed. Development costs are only capitalised when the following criteria are met:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- The intention to complete the intangible asset and use or sell it.
- The ability to use or sell the intangible asset.
- How the intangible asset will generate probable future economic benefits.
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised under the straight line method and expensed in the operating statement for the period.

Intangible assets are subsequently measured at fair value only if there is an active market. If there is no active market, the assets are carried at cost less any accumulated amortisation.

Intangible assets are tested for impairment where an indicator of impairment exists and in the case of intangible assets with indefinite lives, annually, either individually or at the cash generating unit level. However, as a not-for-profit entity with no cash generating units, the RTA is effectively exempted from impairment testing (see note 1(l)(i)).

**(vi) Private sector provided infrastructure**

The RTA has recognised an infrastructure asset in respect of the Sydney Harbour Tunnel. It has been valued at the estimated current written down replacement cost of the tunnel at the date of transfer to the RTA in 2022 (refer note 12(b)).

In respect of the M2, M4, M5 motorways, the Eastern Distributor, the Cross City Tunnel, the Westlink M7 and the Lane Cove Tunnel, the RTA values each right to receive asset by reference to the RTA's emerging share of the written down replacement cost of each asset apportioned using an annuity approach. Under this approach, the ultimate value of the right to receive the property is treated as the compound value of an annuity that accumulates as a series of equal annual receipts together with an amount representing notional compound interest. The discount rate used is the 10 year NSW Government bond rate applicable at the commencement of the concession period.

**(vii) Cultural collection assets**

Cultural collection items that can be reliably valued have been recognised as assets. Other cultural collection items are disclosed by way of a note.

**(viii) Leased assets**

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

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

Operating lease payments are recognised as an expense on a straight-line basis. Rental revenue is recognised in accordance with AASB 117 Leases on a straight line basis over the lease term.

**(m) Major inspection costs**

The labour cost of performing major inspections for faults is recognised in the carrying amount of an asset as a replacement of a part, if the recognition criteria are satisfied.

**(n) Restoration costs**

The estimated cost of dismantling and removing an asset and restoring the site is included in the cost of an asset, to the extent it is recognised as a liability.

**(o) Maintenance and repairs**

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

**(p) Financial assets****(i) Cash and cash equivalents**

Cash and short term deposits in the balance sheet comprise cash at bank and in hand, short term deposits with an original maturity of three months or less, and deposits in Treasury Corporation's Hour-Glass managed Fund Cash Facility

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

**(ii) Receivables**

Receivables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial. An allowance for impairment of receivables is established when there is objective evidence that the entity will not be able to collect all amounts due. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Bad debts are written off as incurred.

**(iii) Other financial assets**

Other financial assets consist of non-derivative financial assets which are not valued at fair value either because they are not intended to be held to maturity. These assets are initially recognised at cost. All finance assets except those measured at fair value through the operating statement are subject to annual review for impairment. Changes are accounted for in the operating statement when impaired, derecognised or through an amortisation process.

**(q) Provision of material assets**

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

**(r) Inventories**

Inventories held for distribution are stated at the lower of cost and current replacement cost. Inventories (other than those held for distribution) are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost or 'first in first out' method. Inventories consist mainly of raw materials and supplies used for the construction and maintenance of roads, bridges and traffic signals.

The cost of inventories acquired at no cost or for nominal consideration is the current replacement cost as at the date of acquisition. Current replacement cost is the cost the agency would incur to acquire the asset on the reporting date. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

**(s) Capitalisation of expenditure**

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

**(t) Non-current assets held for sale**

The RTA has certain non-current assets classified as held for sale, where their carrying amount will be recovered principally through a sale transaction, not through continuing use. This condition is regarded as met when the sale is highly probable, the asset is available for immediate sale in its present condition and the sale of the asset is expected to be completed within one year from the date of classification. Non-current assets held for sale are recognised at the lower of carrying amount and fair value less costs to sell. These assets are not depreciated while they are classified as held for sale.

**(u) Other Assets**

Other assets including prepayments are recognised on a cost basis.

**(v) Payables**

These amounts represent liabilities for goods and services provided to the RTA and other amounts, including interest. Payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

**(w) Borrowings**

Borrowings are recorded initially at fair value, net of transaction costs. Loans are not held for trading and are recognised at amortised cost using the effective interest method. Amortised cost is the face value of the debt less unamortised premiums. The discount or premiums are treated as finance charges and amortised over the term of the debt.

**(x) Budgeted amounts**

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

The budgeted amounts in the operating statement and cash flow statement are generally based on the amounts disclosed in the NSW Budget Papers (as adjusted above). However in the balance sheet the amounts vary from the Budget Papers, as the opening balances of the budgeted amounts are based on carried forward actual amounts. That is, per the audited financial statements (rather than carried forward estimates).

**(y) Presentation of notes to the financial report**

In prior years some notes to the financial report disclosed revenue and expenditure by function rather than by nature. This year the financial report discloses all revenue and expenses by nature.

**Financial instruments**

The RTA has elected not to restate comparative information for financial instruments within the scope of AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement, as permitted on the first time adoption of AEIFRS. The accounting policies applied to accounting for financial instruments in the current financial year are detailed in notes 1(z)(iii). The following accounting policies were applied to accounting for financial instruments in the comparative financial year.

**(i) Receivables**

Receivables were recognised and carried at cost, based on the original invoice amount less a provision for any uncollectible debts.

**(ii) Payables**

Payables were recognised when the consolidated entity became obliged to make future payments resulting from the purchase of goods and services.

**(iii) Borrowings**

All borrowings were valued at their current capital value. Any finance lease liability was determined in accordance with AAS17 Leases. Interest expense was recognised on an accrual basis.



## 2. EXPENSES EXCLUDING LOSSES

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

### (a) Employee related expenses

Employee related expenses comprise the following specific items:

	Consolidated		Parent	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Salaries and wages (including recreation leave)	325,563	317,235	–	225,975
Skill hire contractors	44,924	61,623	44,924	61,623
Long service leave	(4,797)	14,630	–	10,421
Superannuation – defined benefit plan	(109,256)	(141,756)	–	(100,973)
Superannuation – defined contribution	15,771	34,725	–	24,735
Workers compensation insurance	4,113	7,834	–	5,580
Payroll tax and fringe benefits tax	25,041	33,560	–	23,905
Personnel services	–	–	281,558	78,365
Redundancy	6,848	6,197	–	4,414
Other	18,275	–	–	–
	<b>326,482</b>	<b>334,048</b>	<b>326,482</b>	<b>334,048</b>
Allocations of employee related expenses to programs				
– Capitalised to infrastructure	201,247	153,476	201,247	153,476
– Operating programs (including maintenance)	326,482	334,048	326,482	334,048
	<b>527,729</b>	<b>487,524</b>	<b>527,729</b>	<b>487,524</b>

## (b) Other operating expenses

### (i)

	Consolidated		Parent	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Consultants and other contractors	47,387	98,464	47,387	98,464
Fleet hire and lease charges	52,139	76,108	52,139	76,108
M4/M5 Cashback refund	87,024	77,336	87,024	77,336
Data processing	50,810	48,434	50,810	48,434
Advertising	21,466	20,095	21,466	20,095
Payments to councils and ext. bodies	83,316	26,674	83,316	26,674
Other	141,786	204,152	141,786	204,152
Contract payments	235,667	1,070,271	235,667	1,070,271
Capitilisation	(315,726)	(1,283,404)	(315,726)	(1,283,404)
	<b>403,869</b>	<b>338,130</b>	<b>403,869</b>	<b>338,130</b>

### (ii) Auditor's remuneration

During 2006–07 an expense of \$0.578 million (2005–06 – \$0.556 million), excluding GST, was incurred for the audit of the financial statements by The Audit Office of NSW.

### (iii) Cost of sales

During 2006–07 the cost incurred in relation to the sales of goods was \$16,471 million (2005–06 – \$20.680 million).

### (iv) Bad and doubtful debts

The bad and doubtful debts expense for 2006–07 was credited with \$0.380 million (2005–06 – an expense of \$0.913 million).

### (v) Operating lease rental expense

	Consolidated		Parent	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Property	24,568	24,418	24,568	24,418
IT equipment	40,151	41,208	40,151	41,208
Light motor vehicles	29,122	27,206	29,122	27,206
Heavy motor vehicles	967	745	967	745
	<b>94,808</b>	<b>93,577</b>	<b>94,808</b>	<b>93,577</b>

# FINANCIAL STATEMENTS

## (vi) Infrastructure maintenance

Maintenance expenditure relates to the maintenance of roads, bridges and the traffic signal control network and includes employee related costs. Major reconstruction of road segments are capitalised and as such are not charged against maintenance expenditure. The RTA capitalised \$105.190 million of such works (2005–06 – \$143.304 million).

The RTA expended \$13.459 million in 2006–07 (2005–06 – \$42.339 million) on natural disaster restoration works from State funds. The total cost of natural disaster restoration work in 2006–07 was \$13.459 million (2005–06 – \$42.339 million), which was included as part of maintenance expenditure.

	Consolidated		Parent	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Maintenance expense excluding employee related	469,337	518,467	687,844	680,258
Maintenance related employee expenses	218,507	161,791	–	–
<b>Total maintenance expenses in operating statement</b>	<b>687,844</b>	<b>680,258</b>	<b>687,844</b>	<b>680,258</b>

## (c) Depreciation and amortisation

	Consolidated		Parent	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Depreciation raised against operational and property assets (excludes depreciation capitalised as infrastructure)	16,353	22,894	16,353	22,894
Depreciation raised against infrastructure	753,094	669,456	753,094	669,456
Amortisation of intangible assets	4623	4768	4623	4768
	<b>774,070</b>	<b>697,118</b>	<b>774,070</b>	<b>697,118</b>

In addition, operational assets and intangible assets were written down by \$8.212 million in 2006–07 (2005–06 was \$5.931 million)

## (d) Grants and subsidies

	Consolidated		Parent	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Grants under road safety program	10,119	10,875	10,119	10,875
	<b>10,119</b>	<b>10,875</b>	<b>10,119</b>	<b>10,875</b>

## (e) Finance costs

	Consolidated		Parent	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Interest	52,626	54,955	52,626	54,955
Debt guarantee	3000	3000	3000	3000
Other	4565	7126	4565	7126
	<b>60,191</b>	<b>65,081</b>	<b>60,191</b>	<b>65,081</b>

# FINANCIAL STATEMENTS

## 3. REVENUE

### (a) Sale of goods and services

	Consolidated		Parent	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
<b>Sale of goods</b>				
Number plates	66,842	57,795	66,842	57,795
<b>Rendering of services</b>				
Third party insurance data access charges	13,210	12,533	13,210	12,533
Toll revenue (Sydney Harbour Bridge)	83,832	84,316	83,832	84,316
Heavy vehicle permit fees	1078	1049	1078	1049
Sanction fees payable under the <i>Fines Act</i>	7115	7303	7115	7303
Rental income	20,073	19,731	20,073	19,731
Works and services	50,514	46,539	50,514	46,539
Advertising	8589	3252	8589	3252
Fees for services	30,534	30,522	30,534	30,522
Publications	6524	6006	6524	6006
Miscellaneous services	7981	5767	7981	5767
	<b>296,292</b>	<b>274,813</b>	<b>296,292</b>	<b>274,813</b>

### (b) Investment income

	Consolidated		Parent	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Interest	7900	2649	7900	2649

### (c) Grants and contributions

	Consolidated		Parent	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
NSW Government agencies				
– Ministry of Transport	28,628	21,300	28,628	21,300
– Other	4154	14,626	4154	14,626
Local government	6747	6078	6747	6078
Other government agencies	9194	12,151	9194	12,151
Private firms and individuals	6265	7117	6265	7117
	<b>54,988</b>	<b>61,272</b>	<b>54,988</b>	<b>61,272</b>



# FINANCIAL STATEMENTS

## (d) Other revenue

	Consolidated		Parent	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Amortisation of deferred revenue on PSPI projects	9576	5321	9576	5321
Value of emerging interest of private sector provided infrastructure				
– M2 (Refer Note 12(b))	6638	3700	6638	3700
– M4 (Refer Note 12(b))	20,702	17,949	20,702	17,949
– M5 (Refer Note 12(b))	13,194	10,120	13,194	10,120
– Eastern Distributor (Refer Note 12 (b))	5585	3037	5585	3037
– Cross City Tunnel (Refer Note 12 (b))	20,910	8146	20,910	8146
– Westlink M7 (Refer Note 12 (b))	41,719	11,060	41,719	11,060
– Lane Cove Tunnel (refer Note 12(b))	7015	–	7015	–
– Loan to Sydney Harbour Tunnel Company				
Adjustment to opening balance	–	23,945	–	23,945
Other revenue	5107	(19,163)	5107	(19,163)
M2 and Eastern Distributor promissory notes				
Adjustment to opening balance	–	(5045)	–	(5045)
Other revenue	1854	6659	1854	6659
Fuel tax credits	983	–	983	–
Other	(290)	47	(290)	47
	<b>132,993</b>	<b>65,776</b>	<b>132,993</b>	<b>65,776</b>

## 4. GAINS/(LOSSES) ON DISPOSAL

### (a) Gain/(loss) on disposal

	Consolidated		Parent	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
<b>Gain on sale of property, plant and equipment</b>				
– Proceeds from sale	27,004	41,188	27,004	41,188
– Written down value of assets sold	(23,667)	(25,011)	(23,667)	(25,011)
<b>Net gain on sale of non-current assets</b>	<b>3,337</b>	<b>16,177</b>	<b>3,337</b>	<b>16,177</b>

### (b) Other gains/(losses)

	Consolidated		Parent	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Bad / doubtful debt expense	(348)	542	(348)	542
Bad debts written off	194	–	194	–
Written down value of infrastructure assets written off (note 7(b))	(88,900)	(77,219)	(88,900)	(77,219)
<b>Total other gains/(losses)</b>	<b>(89,054)</b>	<b>(76,677)</b>	<b>(89,054)</b>	<b>(76,677)</b>

# FINANCIAL STATEMENTS

## 5. CONDITIONS ON CONTRIBUTIONS

Contributions received during 2006–07 were recognised as revenue during the financial year and were expended in that period with no balance of those funds available at 30 June 2007.

## 6. APPROPRIATIONS

	Consolidated		Parent	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
<b>Recurrent appropriation</b>				
Total recurrent drawdowns from Treasury (per Summary of Compliance)	1,449,120	1,503,856	1,449,120	1,503,856
Less: Liability to consolidated fund (per Summary of Compliance)	–	(28,050)	–	(28,050)
	<b>1,449,120</b>	<b>1,475,806</b>	<b>1,449,120</b>	<b>1,475,806</b>
<b>Capital appropriation</b>				
Total capital drawdowns from Treasury (per Summary of Compliance)	1,512,310	1,037,323	1,512,310	1,037,323
Less: Liability to consolidated fund (per Summary of Compliance)	–	–	–	–
	<b>1,512,310</b>	<b>1,037,323</b>	<b>1,512,310</b>	<b>1,037,323</b>

## 7. INDIVIDUALLY SIGNIFICANT ITEMS

### (a) Superannuation expense

	Consolidated		Parent	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
(Decrease)/increase in superannuation expense due to tax, actuarial and interest adjustments	<b>(109,256)</b>	<b>(141,757)</b>	–	<b>(100,973)</b>

### (b) Write-down of infrastructure assets

	Consolidated		Parent	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Infrastructure assets written down	<b>88,900</b>	<b>76,884</b>	<b>88,900</b>	<b>76,884</b>

The following infrastructure assets were written off during 2006–07 (see note 11(c)).

	Replacement costs	Accumulation depreciation	WDRC
	\$000	\$000	\$000
Roads	206,561	134,825	71,736
Bridges	30,414	13,868	16,546
Traffic signals network	276	83	193
Traffic control network	470	45	425
	<b>237,721</b>	<b>148,821</b>	<b>88,900</b>

## 8. PROGRAMS/ACTIVITIES OF THE AGENCY

### (a) Road development

Description:	Planning, designing, scheduling and organising the development of road and bridge works.
Objectives:	To develop the State's road network focusing on strategic routes to promote economic growth, improve road safety, encourage greater use of public transport and meet environmental targets.

### (b) Road management

Description:	Manage the primary arterial road network infrastructure as a long-term renewable asset through a program of maintenance and reconstruction works. Provide financial assistance grants to local government to assist councils' manage the secondary arterial road network. Manage the provision of disaster repairs for public roads.
Objective:	To maintain the RTA's roads and bridges to ensure reliability, safety and retained value. Support Councils' management of the secondary arterial road network.

### (c) Road user

Description:	Implementing initiatives to increase safe road use behaviour, ensure that drivers and cyclists are eligible and competent, ensure that vehicles meet roadworthiness and emission standards, and ensure that a high standard of customer service is maintained.  Improving road network performance through traffic control systems, managing incidents and route management strategies. Providing priority access for buses, improving facilities for cyclists and pedestrians and maintaining traffic facility assets.
Objectives	To reduce the trauma and cost to the community of road deaths and injuries. To reduce adverse impacts of vehicles on roads and the environment. To ensure compliance with driver licensing and vehicle registration requirements.  To maximise the efficiency of moving people and goods by better managing the road network and encouraging the use of alternatives to the motor car.

### (d) M4 / M5 Cashback Scheme

Description:	Reimbursing motorists directly for the toll component paid using electronic tags on the M4 and M5 motorways when driving NSW privately registered motor vehicles.
Objective:	To reimburse tolls to motorists driving NSW privately registered motor vehicles on the M4 and M5 Motorways.

## 9. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	Consolidated		Parent	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
RTA operating account	13,373	26,969	13,373	26,969
Trust funds	28,940	33,043	28,940	33,043
Remitting account, cash in transit and cash on hand	38,603	30,817	38,603	30,817
TCorp – Hour-Glass Cash Facility	108,933	48,735	108,933	48,735
On call deposits	3023	2658	3023	2658
Other	270	327	270	327
	<b>193,142</b>	<b>142,549</b>	<b>193,142</b>	<b>142,549</b>

For the purposes of the cash flow statement, cash and cash equivalents include all the above categories of cash and cash equivalents.

Cash and cash equivalent assets recognised in the balance sheet are reconciled at the end of the financial year to the cash flow statement as follows:

	Consolidated		Parent	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Cash and cash equivalents (per balance sheet)	193,142	142,549	193,142	142,549
Closing cash and cash equivalents (per cash flow statement)	193,142	142,549	193,142	142,549

## 10. CURRENT ASSETS / NON-CURRENT ASSETS – RECEIVABLES

### (a) Current

	Consolidated		Parent	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Sale of goods and services (i)	23,122	31,153	23,122	31,153
Goods and services tax – claimable from the Commonwealth	21,179	19,422	21,179	19,422
Other (including cost recoveries relating to motor vehicle crash damage to RTA property and road clearing)	3491	2048	3491	2048
	<b>47,792</b>	<b>52,623</b>	<b>47,792</b>	<b>52,623</b>
Less: Allowance for impairment	(2055)	(2439)	(2055)	(2439)
	<b>45,737</b>	<b>50,184</b>	<b>45,737</b>	<b>50,184</b>
Unissued debtors	36,291	34,411	36,291	34,411
Dishonoured credit cards	378	394	378	394
	<b>82,406</b>	<b>84,989</b>	<b>82,406</b>	<b>84,989</b>
Accrued income				
– Interest	450	698	450	698
– Property sales	15,022	17,417	15,022	17,417
– Other	2411	2339	2411	2339
<b>Total current</b>	<b>100,289</b>	<b>105,443</b>	<b>100,289</b>	<b>105,443</b>

The allowances for impairment primarily relate to amounts owing as a result of commercial transactions (for example, debts raised for performance of services or goods) and tenants who vacate premises without notice whilst in arrears.

(i) The average credit period on sales of goods is 35 days. No interest is charged on the trade receivables. An allowance has been made for estimated recoverable amounts from the sale of goods, determined by reference to past default experience. The movement in the allowance of \$0.384 million was recognised in the profit or loss for the current financial year.



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## (b) Other financial assets

	Consolidated		Parent	
	2007	2006	2007	2006
Non-current financial assets (at amortised cost)	\$000	\$000	\$000	\$000
Loan to Sydney Harbour Tunnel Company	80,268	75,160	80,268	75,160
Promissory notes	10,495	8,642	10,495	8,642
	<b>90,763</b>	<b>83,802</b>	<b>90,763</b>	<b>83,802</b>

Repayment of the interest free \$222.6 million Net Bridge Revenue Loan by the Sydney Harbour Tunnel Company is due on 31 December 2022. The loan has been assessed as recoverable as at 30 June 2007 and the receivable is valued using the effective interest method (refer note 1(z)).

The loan is considered to be part of the RTA's interest in the tunnel and, as at 30 June 2007, has been assessed at \$80.268 million (30 June 2006 – \$75.160 million).

Promissory notes relate to amounts receivable under the Private Sector Road Toll agreement in respect of the M2 Motorway and the Eastern Distributor. The promissory notes are redeemable at the earlier of the achievement of certain Internal Rate of Return or the end of the respective concession period. The redeemables are valued using the effective interest rate method (refer note 12(b)).

## II. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Plant and equipment	Infrastructure systems	Total
	\$000	\$000	\$000	\$000
<b>Consolidated and Parent</b>				
<b>As at 1 July 2006</b>				
Gross carrying amount	2,865,751	214,041	81,886,691	84,966,483
Accumulated depreciation	(20,680)	(113,280)	(14,051,199)	(14,185,159)
<b>Net carrying amount at fair value</b>	<b>2,845,071</b>	<b>100,761</b>	<b>67,835,492</b>	<b>70,781,324</b>
<b>As at 30 June 2007</b>				
Gross carrying amount	2,801,068	192,474	85,969,547	88,963,089
Accumulated depreciation	(15,376)	(95,113)	(14,736,314)	(14,846,803)
<b>Net carrying amount at fair value</b>	<b>2,785,692</b>	<b>97,361</b>	<b>71,233,233</b>	<b>74,116,286</b>

A reconciliation of the carrying amount of each class or property, plant and equipment at the beginning and end of the current reporting period is set out below.

# FINANCIAL STATEMENTS

## (a) Land and buildings – consolidated and parent

	Works administration properties and officers residences		Land and buildings acquired for future roadworks	Leasehold improvements	Total
	Land	Buildings			
	\$000	\$000	\$000	\$000	\$000
Balance 1 July 2006	73,325	124,069	2,649,772	18,585	2,865,751
Additions	–	9,473	147,792	534	157,799
Disposals	–	(2,030)	(21,935)	(6,998)	(30,963)
Reclassifications	(553)	(1,748)	1,555	746	–
Adjustments/WIP	–	(64)	–	–	(64)
Transfer to infrastructure	–	–	(101,481)	–	(101,481)
Transfer to assets held for sale	37,786	–	(60,098)	–	(22,312)
Revaluations	28,854	404	(96,920)	–	(67,662)
Balance 30 June 2007	139,412	130,104	2,518,685	12,867	2,801,068
<b>Accumulated depreciation</b>					
Balance 1 July 2006	–	10,577	–	10,103	20,680
Depreciation expense	–	4351	–	3,755	8,106
Write back on disposal	–	(2,071)	–	(6,998)	(9,069)
Transfer on revaluation	–	(4,341)	–	–	(4,341)
Balance 30 June 2007	–	8,516	–	6,860	15,376
<b>Written down value</b>					
As at 30 June 2007	139,412	121,588	2,518,685	6,007	2,785,692
As at 1 July 2006	73,325	113,492	2,649,772	8,482	2,845,071

Land and buildings for future roadworks comprise untenanted land for road works (average rateable value \$1,600 million) surplus properties (market value – \$636 million) and rentable properties (market value – \$414 million).

**(b) Plant and equipment – consolidated and parent**

	Plant equipment and motor vehicles \$000	Computer hardware and software \$000	Electronic office equipment \$000	Total \$000
Balance 1 July 2006	191,499	17,308	5,234	214,041
Additions	12,967	4,232	53	17,252
Disposals	(9,729)	(6,236)	(1,062)	(17,027)
Transfers to traffic control network	(19,364)	–	–	(19,364)
Transfer to infrastructure/recordable items	(2,426)	–	(2)	(2,428)
Balance 30 June 2007	172,947	15,304	4,223	192,474
<b>Accumulated depreciation</b>				
Balance 1 July 2006	99,842	9,029	4,409	113,280
Depreciation expense	7,956	136	155	8,247
Transfer to traffic control network	(10,569)	–	–	(10,569)
Write back on disposal	(8,670)	(6,167)	(1,008)	(15,845)
Balance 30 June 2007	88,559	2,998	3,556	95,113
<b>Written down value</b>				
As at 30 June 2007	84,388	12,306	667	97,361
As at 1 July 2006	91,657	8,279	825	100,761

**(c) Infrastructure systems**

Infrastructure systems are valued as follows

	Consolidated		Parent	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
<b>Roads – written down replacement cost</b>				
Opening balance – replacement cost	38,060,329	36,244,068	38,060,329	36,244,068
Additions at cost	927,753	386,713	927,753	386,713
Deletions	(206,561)	(95,767)	(206,561)	(95,767)
RCI and other adjustments	790,107	1,525,315	790,107	1,525,315
	39,571,628	38,060,329	39,571,628	38,060,329
Less: accumulated depreciation				
Opening balance	12,217,377	11,680,585	12,217,377	11,680,585
Write back on deletions	(134,825)	(35,002)	(134,825)	(35,002)
Current year expense	649,615	587,307	649,615	587,307
Other adjustments	112,211	(15,513)	112,211	(15,513)
	12,844,378	12,217,377	12,844,378	12,217,377
<b>Roads – written down value</b>	<b>26,727,250</b>	<b>25,842,952</b>	<b>26,727,250</b>	<b>25,842,952</b>
<b>Land under roads and within road reserves</b>				
Opening balance	33,418,415	36,289,193	33,418,415	36,289,193
Transfer in from 'Land and Buildings acquired for Future Roadworks'	101,481	203,227	101,481	203,227
Revaluation	1,672,192	(3,074,005)	1,672,192	(3,074,005)
<b>Total land under roads and within road reserves</b>	<b>35,192,088</b>	<b>33,418,415</b>	<b>35,192,088</b>	<b>33,418,415</b>
<b>Bridges – written down replacement cost</b>				
Opening balance – replacement cost	8,279,122	7,759,881	8,279,122	7,759,881
New bridges at cost	282,799	298,776	282,799	298,776
RCI and other adjustments	298,123	245,654	298,123	245,654
Deletions	(30,414)	(25,189)	(30,414)	(25,189)
	8,829,630	8,279,122	8,829,630	8,279,122
Less: accumulated depreciation				
Opening balance	1,702,622	1,656,013	1,702,622	1,656,013
Current year expense	85,497	56,253	85,497	56,253
Write back on deletions	(13,868)	(9,644)	(13,868)	(9,644)
Write back of residual value of in-use bridges	(42,344)	–	(42,344)	–
	1,731,907	1,702,622	1,731,907	1,702,622
<b>Bridges – written down value</b>	<b>7,097,723</b>	<b>6,576,500</b>	<b>7,097,723</b>	<b>6,576,500</b>

New bridges at cost includes bridges constructed during the year and existing bridges (not previously brought to account) identified by a timber bridge survey undertaken during the year.

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	Consolidated		Parent	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
<b>Traffic signals network– written down replacement cost</b>				
Opening balance – replacement cost	315,167	282,872	315,167	282,872
New traffic signals at cost	370	6600	370	6600
Deletions	(276)	(751)	(276)	(751)
RCl and other adjustments	13,697	26,446	13,697	26,446
	328,958	315,167	328,958	315,167
Less: accumulated depreciation				
Opening balance	102,611	88,268	102,611	88,268
Current year expense	14,661	14,521	14,661	14,521
Write back on deletions	(83)	(178)	(83)	(178)
	117,189	102,611	117,189	102,611
<b>Traffic signals network – written down value</b>	<b>211,769</b>	<b>212,556</b>	<b>211,769</b>	<b>212,556</b>
<b>Traffic control network – written down</b>				
<b>Historic cost</b>				
Opening balance – replacement cost	59,617	57,476	59,617	57,476
Additions at unit replacement rates	1261	3302	1261	3302
Deletions	(470)	(1423)	(470)	(1423)
Transfer from operational assets	19,394	–	19,394	–
Other adjustments	–	262	–	262
	79,802	59,617	79,802	59,617
Less: Accumulated depreciation				
Opening balance	28,589	25,613	28,589	25,613
Current year expense	3320	4398	3320	4398
Write back on deleted TMC assets	(45)	(1422)	(45)	(1422)
Transfer from plant and equipment	10,567	–	10,567	–
Other adjustments	409	–	409	–
	42,840	28,589	42,840	28,589
Work in progress	2845	4067	2845	4067
<b>Traffic control network – written down value</b>	<b>39,807</b>	<b>35,095</b>	<b>39,807</b>	<b>35,095</b>
<b>Major works in progress</b>				
Opening balance	1,749,974	1,126,599	1,749,974	1,126,599
Additions at cost	1,190,362	1,145,492	1,190,362	1,145,492
Transfers out on completion	(975,740)	(522,117)	(975,740)	(522,117)
<b>Major works in progress</b>	<b>1,964,596</b>	<b>1,749,974</b>	<b>1,964,596</b>	<b>1,749,974</b>
<b>Total infrastructure systems</b>	<b>71,233,233</b>	<b>67,835,492</b>	<b>71,233,233</b>	<b>67,835,492</b>

The network was improved during the year with a number of major projects being opened to traffic. These included Stage 1 of the North–West Transitway Network, the Lane Cove Tunnel and associated road improvements (State and private sector funding), the widening of Windsor and Old Windsor roads and the Albury Bypass.

The depreciation expense in respect of roads \$649.615 million (2005–06 – \$587.307 million) reflects the loss of service potential based on straight line depreciation methodology.

Traffic signals and all bridges were subject to a full revaluation in 2002–03. Roads were revalued in 2003–04.

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## (d) Cultural collection assets

At 30 June 2007, \$nil million cultural collection assets, including original art works, have been brought to account during the current year (2005–06 – \$nil million).

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

## 12. CURRENT/NON-CURRENT ASSETS – INTANGIBLE ASSETS AND OTHER

### (a) Current

These comprise:

	Consolidated		Parent	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Prepaid superannuation (note 17)	49,395	–	–	–
Other prepayments	5404	5703	5404	5703
	<b>54,799</b>	<b>5703</b>	<b>5404</b>	<b>5703</b>

### (b) Non-current

The RTA's other non-current assets are represented by private sector provided infrastructure:

	Consolidated		Parent	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
<b>Sydney Harbour Tunnel</b>				
Carrying amount at start of year	627,188	605,385	627,188	605,385
Revaluation	31,862	21,803	31,862	21,803
<b>Carrying amount at end of year</b>	<b>659,050</b>	<b>627,188</b>	<b>659,050</b>	<b>627,188</b>
<b>M2 Motorway</b>				
Carrying amount at start of year	25,226	21,526	25,226	21,526
Revaluation increment	16,797	–	16,797	–
Annual increment – Emerging Right to Receive	6638	3700	6638	3700
<b>Carrying amount at end of year</b>	<b>48,661</b>	<b>25,226</b>	<b>48,661</b>	<b>25,226</b>
<b>M4 Motorway</b>				
Carrying amount at start of year	142,601	124,652	142,601	124,652
Revaluation increment	8016	–	8016	–
Annual increment – Emerging Right to Receive	20,702	17,949	20,702	17,949
<b>Carrying amount at end of year</b>	<b>171,319</b>	<b>142,601</b>	<b>171,319</b>	<b>142,601</b>
<b>M5 Motorway</b>				
Carrying amount at start of year	71,758	61,638	71,758	61,638
Revaluation increment	13,676	–	13,676	–
Annual increment – Emerging Right to Receive	13,194	10,120	13,194	10,120
<b>Carrying amount at end of year</b>	<b>98,628</b>	<b>71,758</b>	<b>98,628</b>	<b>71,758</b>



**(b) Non-current (continued)**

	Consolidated		Parent	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
<b>Eastern Distributor</b>				
Carrying amount at start of year	17,371	14,334	17,371	14,334
Revaluation increment	12,398	–	12,398	–
Annual increment – Emerging Right to Receive	5585	3037	5585	3037
<b>Carrying amount at end of year</b>	<b>35,354</b>	<b>17,371</b>	<b>35,354</b>	<b>17,371</b>
<b>Cross City Tunnel</b>				
Carrying amount at start of year	8146	–	8146	–
Revaluation increment	11,708	–	11,708	–
Annual increment – Emerging Right to Receive	20,910	8146	20,910	8146
<b>Carrying amount at end of year</b>	<b>40,764</b>	<b>8146</b>	<b>40,764</b>	<b>8146</b>
<b>Westlink M7</b>				
Carrying amount at start of year	11,060	–	11,060	–
Revaluation increment	28,495	–	28,495	–
Annual increment – Emerging Right to Receive	41,719	11,060	41,719	11,060
<b>Carrying amount at end of year</b>	<b>81,274</b>	<b>11,060</b>	<b>81,274</b>	<b>11,060</b>
<b>Lane Cove Tunnel</b>				
Carrying amount at start of year	–	–	–	–
Annual increment – Emerging Right to Receive	7015	–	7015	–
<b>Carrying amount at end of year</b>	<b>7015</b>	<b>–</b>	<b>7015</b>	<b>–</b>
	<b>1,142,065</b>	<b>903,350</b>	<b>1,142,065</b>	<b>903,350</b>

**Sydney Harbour Tunnel**

The RTA's interest in the Sydney Harbour Tunnel has been valued based on the RTA's right to the time share of its ownership, total service potential and remaining useful life at the date of its transfer to the RTA in 2022. At the date of this transfer, the value will equate to the current written down replacement cost of the tunnel. The cost of constructing the tunnel was \$683.3 million. The current written down replacement cost of the tunnel is \$659.050 million (2005–06 – \$627.186 million).

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

The construction of the tunnel was financed by 30 year inflation linked bonds issued by the Sydney Harbour Tunnel Company (SHTC) to the private sector in the amount of \$486.7 million, SHTC shareholders' loans (repaid in 1992) of \$40 million, and an interest free, subordinated loan (the Net Bridge Revenue Loan) provided by the RTA of \$222.6 million, based on the projected net toll revenue from the Sydney Harbour Bridge during the

construction period. Under the Ensured Revenue Stream Agreement (ERS), the government has agreed to make ERS payments (net of tolls collected from the tunnel) to enable the SHTC to meet financial obligations arising from the operation and maintenance of the tunnel and repayment of principal and interest on funds borrowed by it for the design, construction and operation of the tunnel.

During the year ended 30 June 2007, tolls collected from the tunnel amounted to \$43.708 million (2005–06 – \$44.060 million). These tolls were applied to the financial obligations of the tunnel and resulted in a reduction in ERS payments from \$95.740 million to \$52.032 million (2005–06 – \$87.455 million to \$43.395 million).

From 1993 the RTA listed a possible tax liability as a contingent liability in the annual accounts until the liability crystallised during the 2002–03 financial year. Following negotiations between interested parties including the Australian Tax Office, a settlement agreement was entered into between the RTA, the State Government, the Sydney Harbour Tunnel Company Limited and Tunnel Holdings Pty Limited. The past and future tax liabilities are disclosed at net present value in note 18.

The RTA however now revalues the tunnel each year. Based on movements in the Road Cost Index during the 2006–07 reporting period, the RTA's interest in the tunnel was \$659.050 million as at 30 June 2007, which equated to an increase in the value of the tunnel during 2006–07 of \$31.862 million (2005–06 – \$21.801 million).

**M2 Motorway**

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

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

Payments of the rents for the Trust Lease and the Trust Concurrent Lease for the year ended 30 June 2007 have been made by promissory notes in the value of \$7.071 million and \$1.768 million respectively. The RTA, as at 30 June 2007, has received promissory notes for rent on the above leases totalling \$86.909 million. The term of the Agreement ends on the 45th anniversary of the M2 commencement date. That is, 26 May 2042, subject to the provisions of the M2 Motorway Project Deed. The net present value of these promissory notes, as at 30 June 2007, is \$4.276 million.

The RTA has, from the date of completion of the M2 Motorway on 26 May 1997, valued the asset by reference to the RTA's emerging share of the written down replacement cost of the asset at date of handback over the concession period calculated using the effective interest rate method (refer note 1(f)(vi)).

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

**M4 and M5 motorways**

The RTA has valued the infrastructure assets in respect of the M4 and M5 motorways by reference to the RTA's emerging share of the written down replacement cost of each asset apportioned over the period of the respective concession agreement calculated using the effective interest rate method (refer note 1(f)(vi)).

Ownership of the M4 Motorway and M5 Motorway will revert to the RTA in 2010 and 2023 respectively. The initial concession period for the M5 Motorway was for the period 14 August 1992 to 14 August 2022. In consideration for Interlink Roads

undertaking construction of an interchange at Moorebank (M5 improvements), the initial concession period was extended by 1.11 years to 23 September 2023.

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

**Eastern Distributor**

An agreement was signed with Airport Motorway Limited (AML) in August 1997 to finance, design, construct, operate, maintain and repair the Eastern Distributor which was opened to traffic on 18 December 1999.

In consideration of the RTA granting to AML the right to levy and retain tolls on the Eastern Distributor, AML is required to pay concession fees in accordance with the Agreement. From the date of Financial Close, which occurred on 18 August 1997, AML has paid \$150 million by way of promissory notes (being \$15 million on Financial Close and \$15 million on each anniversary of Financial Close). A further \$2.2 million was received in cash six months after Financial Close and \$8 million in cash on the third anniversary of Financial Close. Under the agreement, the promissory notes show a payment date (subject to provisions in the Project Deed) of 31 December 2042 and, as at 30 June 2006, the promissory notes have a net present value of \$6.218 million.

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

**Cross City Tunnel**

An agreement was signed with the Cross City Motorway (CCM) in December 2002 to design, construct, operate and maintain the Cross City Tunnel. Major construction started on 28 January 2003. The Cross City Tunnel was completed and opened to traffic on 28 August 2005.

CCM was placed in receivership during the year. The Receivers subsequently sold the CCT asset to a private operator.

The construction cost was \$642 million with the cost being met by the private sector. Under the terms of the agreement, an external party will operate the motorway for a total of 30 years and two months from the opening of the tunnel to traffic, after which the motorway will be transferred back to the government.

The RTA values the asset by reference to the RTA's emerging share of the written down replacement cost of the asset over the period of the concession period calculated using the effective interest rate method (refer note 1(f)(vi)).

Reimbursement of certain development costs were received by the RTA from the operator in the form of an upfront cash payment. The amount of this payment was \$96.860 million.

## Westlink M7

An agreement was signed with the Westlink consortium in February 2003 to design, construct, operate and maintain the Westlink M7. Major construction started on 7 July 2003 and the completed motorway was opened to traffic on 16 December 2005.

The construction cost was \$1.54 billion. The Federal Government contributed \$356 million towards the cost of the project with the remainder of the cost being met by the private sector. The RTA had responsibility under the contract for the provision of access to property required for the project. Under the terms of the agreement, the Westlink Consortium will operate the motorway for a total of 31 years to February 2037, after which the motorway will be transferred back to the Government.

The RTA values the asset by reference to the RTA's emerging share of the written down replacement cost of the asset over the period of the concession period calculated using the effective interest rate method (refer Note 1(f)(vi)).

Reimbursement of certain development costs were received by the RTA from the operator in the form of an upfront cash payment. The amount of this payment was \$193.754 million.

## Lane Cove Tunnel

An agreement was signed with the Lane Cove Tunnel Company in December 2003 to finance, design, construct, operate and maintain the Lane Cove Tunnel project. Major construction started on 24 June, 2004 and the project was opened to traffic on 20 March 2007.

The construction cost was \$1.1 billion, with the cost being met by the private sector. The RTA was responsible under the contract for the provision of access to property required for the project, which were identified by the Project Deed. Under the terms of the agreement, Lane Cove Tunnel Company designed and constructed the motorway and is now operating the motorway for the remainder of the term of 29 years and nine months. The term commenced on the date the agreement with Lane Cove Tunnel Company became effective, and will end on 9 January 2037 after which the motorway will be transferred back to the government.

The RTA values the asset by reference to the RTA's emerging share of the written down replacement cost of the asset over the period of the concession period calculated using the effective interest rate method (refer note 1(f)(vi)).

Reimbursement of certain development costs were received by the RTA from the operator in the form of an upfront cash payment. The amount of this payment was \$79.301 million.

## (c) Other intangible assets – consolidated and parent

	Software \$000
Balance 1 July 2006	88,781
Additions	90
Disposals	(30)
<b>Balance 30 June 2007</b>	<b>88,841</b>
Accumulated amortisation	
Balance 1 July 2006	60,452
Amortisation expense	4623
Write back on disposal	(22)
<b>Balance 30 June 2007</b>	<b>65,053</b>
Written down value	
As at 30 June 2007	23,788
As at 1 July 2006	28,329

## 13. NON-CURRENT ASSETS HELD FOR SALE

	Consolidated		Parent	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
<b>Assets held for sale</b>				
Balance 1 July 2006				
Land and buildings (i)	37,743	–	37,743	–
Plant and equipment	539	–	539	–
Transfer from land and buildings	22,356	37,743	22,356	37,743
Transfer from plant and equipment	320	539	320	539
Balance 30 June 2007				
Land and buildings	60,099	37,743	60,099	37,743
Plant and equipment	859	539	859	539
	<b>60,958</b>	<b>38,282</b>	<b>60,958</b>	<b>38,282</b>

(i) The RTA has an annual sales program for the sale of surplus properties. These are placed on the market through the year. No impairment loss was recognised on reclassification of the land as held for sale as at the reporting date.

## 14. CURRENT LIABILITIES – PAYABLES

	Consolidated		Parent	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Trade creditors (i)	84,666	127,083	84,666	127,083
Creditors arising from compulsory acquisitions	11,118	35,159	11,118	35,159
Personnel services	9528	4438	300,914	455,044
Accrued expenses				
– Works contract expenditure	163,870	149,360	163,870	149,360
– Work carried out by councils	57,597	43,449	57,597	43,449
– Interest	11,663	12,452	11,663	12,452
– Other (including non-works contracts)	99,296	91,463	99,296	91,463
Other	1751	1453	1751	1454
	<b>439,489</b>	<b>464,857</b>	<b>730,875</b>	<b>915,464</b>

(i) The average credit period on purchases of goods is 30 days. The RTA has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

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## 15. CURRENT/NON-CURRENT LIABILITIES – BORROWINGS

	Consolidated		Parent	
	2007	2006	2007	2006
At amortised cost	\$000	\$000	\$000	\$000
<b>Current</b>				
TCorp Borrowings	145,348	145,590	145,348	145,590
Treasury advances repayable	1507	361	1507	361
Other	–	21	–	21
	<b>146,855</b>	<b>145,972</b>	<b>146,855</b>	<b>145,972</b>
<b>Non-current</b>				
TCorp Borrowings	674,555	675,098	674,555	675,098
Treasury advances repayable	16,057	9276	16,057	9276
Other	1468	1436	1468	1436
	<b>692,080</b>	<b>685,810</b>	<b>692,080</b>	<b>685,810</b>

Repayment of borrowings fall due as follows:

	Consolidated		Parent	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
<b>TCorp</b>				
Within 1 year	145,348	145,590	145,348	145,590
Between 1 and 2 years	190,887	191,431	190,887	191,431
Between 2 and 5 years	161,004	161,642	161,004	161,642
After 5 years	322,663	322,025	322,663	322,025
	<b>819,903</b>	<b>820,688</b>	<b>819,903</b>	<b>820,688</b>

The weighted average interest rate on NSW Treasury Corporation (TCorp) loan portfolio as at 30 June 2007 is 6.14 per cent (30 June 2006 6.55 per cent).

	Consolidated		Parent	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
<b>Other loan borrowings</b>				
Repayable within 1 year	–	21	–	21
Between 1 and 5 years	1269	719	1269	719
After 5 years	199	717	199	717
	<b>1468</b>	<b>1457</b>	<b>1468</b>	<b>1457</b>
<b>Treasury advances</b>				
Repayable within 1 year	1507	361	1507	361
Between 1 and 5 years	10,769	3960	6982	3960
After 5 years	5288	5316	9075	5316
	<b>17,564</b>	<b>9637</b>	<b>17,564</b>	<b>9637</b>

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## Come and Go facility

The Come and Go facility valued at \$100 million has current approval to 30 June 2007 for cash management purposes. This year the facility was used occasionally to fund shortfalls incurring a total interest charge of \$0.150 million (2005–06 – \$2.500 million)

	Consolidated		Parent	
	2007	2006	2007	2006
Financing arrangements	\$000	\$000	\$000	\$000
Unrestricted access was available at the balance sheet date to the Come and Go facility				
Total facility	100,000	100,000	100,000	100,000
Used at balance sheet date	–	–	–	–
<b>Unused at balance sheet date</b>	<b>100,000</b>	<b>100,000</b>	<b>100,000</b>	<b>100,000</b>

## 16. FINANCIAL INSTRUMENTS

### (a) Interest rate risk

The RTA is exposed to interest rate risk as it borrows at fixed and floating interest rates. The risk is managed by entering into forward interest rate contracts. The RTA's exposure to interest rate risks and the effective interest of financial assets and liabilities at the balance sheet date are as follows:



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Floating instrument	Floating interest rate		Fixed interest rate			
	2007	2006	1 year or less		Over 1 to 5 years	
			2007	2006	2007	2006
	\$0	\$0	\$0	\$0	\$0	\$0
<b>Financial assets</b>						
Cash & cash equivalents						
Cash	51,444	57,785	-	-	-	-
Treasury Corp Hour-Glass	113,518	62,409	-	-	-	-
On-call deposits	28,181	22,355	-	-	-	-
Loans & receivables						
Receivables: sales						
GST						
Other (cost recoveries)						
Unissued debtors						
Accrued income property sales						
Other accrued income						
Loan to Sydney Harbour Tunnel						
Promissory notes (M2 & Eastern Distributor)						
<b>Total – financial assets</b>	<b>193,143</b>	<b>142,549</b>	-	-	-	-
<b>Financial liabilities</b>						
Borrowings :						
Treasury Corp	-	145,590	145,348	-	497,239	353,073
Treasury advance repayable	17,564	9638	-	-	-	-
Other	-	-	-	-	1269	362
Payables						
Trade payables						
Other current payables						
Accrued expenses						
Other payables						
Statutory creditors						
Principal outstanding on bonds issued to private sector						
Sydney Harbour Tunnel tax liability						
Holding accounts						
Contract security deposits						
Derivative held for trading						
<b>Total – financial liabilities</b>	<b>17,564</b>	<b>155,228</b>	<b>145,348</b>	-	<b>498,508</b>	<b>353,435</b>

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	More than 5 years		Non interest bearing		Total carrying amount as per balance sheet		Weighted average effective interest rate	
	2007	2006	2007	2006	2007	2006	2007	2006
	-	-	-	-	51,444	57,785		
	-	-	-	-	113,518	62,409	6.55%	5.70%
	-	-	-	-	28,181	22,355	6.30%	5.74%
			23,122	31,153	23,122	31,153		
			21,179	19,422	21,179	19,422		
			3491	2048	3491	2048		
			36,291	34,411	36,291	34,411		
			15,022	17,417	15,022	17,417		
			2861	3037	2861	3037		
			80,268	75,160	80,268	75,160		
			10,495	8642	10,495	8642		
	-	-	<b>192,729</b>	<b>191,290</b>	<b>385,872</b>	<b>333,839</b>		
	322,663	322,025	-	-	819,903	820,688	6.69%	6.55%
	-	-	-	-	17,564	9638		
	199	1095	-	-	1468	1457	6.68%	6.63%
			84,666	127,083	84,666	127,083		
			11,118	35,159	11,118	35,159		
			334,426	301,286	334,426	301,286		
			11,279	5891	11,279	5891		
			14,657	20,387	14,657	20,387		
			329,736	344,674	329,736	344,674		
			25,751	25,896	25,751	25,896		
			66,460	51,253	66,460	51,253		
			-	-	-	-		
			-	-	-	-		
	<b>322,862</b>	<b>323,120</b>	<b>878,093</b>	<b>911,629</b>	<b>1,717,028</b>	<b>1,743,412</b>		

## (b) Credit risk

Credit risk refers to the risk of financial loss arising from another party to a contract or financial obligation. The RTA's maximum exposure to credit rate risk is represented by the carrying amounts of the financial assets net of any provisions for doubtful debts included in the balance sheet. The repayment of the Sydney Harbour Tunnel loan ranks behind all creditors to be paid. Redemption of the M2 and Eastern Distributor promissory notes is dependent upon counterparties generating sufficient cash flows to enable the face value to be repaid.

	Banks		Governments		Other		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Financial assets</b>								
Cash	84,209	57,785	–	–	–	–	84,209	57,785
Receivables	–	–	21,179	19,422	79,110	88,061	100,289	107,483
Investments	108,933	84,764	–	–	–	–	108,933	84,764
<b>Total financial assets</b>	<b>193,142</b>	<b>142,549</b>	<b>21,179</b>	<b>19,422</b>	<b>79,110</b>	<b>88,061</b>	<b>293,431</b>	<b>250,032</b>

## (c) Net fair values

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

## (d) Liquidity risk management

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

## (e) Interest rate swap contracts

The borrowings of the RTA are managed by the NSW Treasury Corporation (TCorp) in accordance with a Memorandum of Understanding. The interest rate risk relating to these borrowings is also managed by TCorp and accordingly the RTA enters into interest rate swaps. At 30 June 2007 it is obliged to receive interest at variable rates and to pay interest at fixed rates under these swap contracts. The swap contracts are settled on a net basis and the net amount receivable or payable at the reporting date is included in other debtors or creditors.

Swaps currently in place cover approximately nil per cent (2005–06 – 2.14 per cent) of the loan principal outstanding. The fixed interest rate was 6.30 per cent (2005–06 – 6.30 per cent).

At 30 June 2007, the notional principal amounts, fair value amounts and periods of expiry of the interest rate swap contracts are as follows:

	Notional principal amounts				Fair value			
	Consolidated		Parent		Consolidated		Parent	
	2007	2006	2007	2006	2007	2006	2007	2006
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Within 1 year	–	14,500	–	14,500	–	14,500	–	14,500
Between 1 and 2 years	–	–	–	–	–	–	–	–
	–	<b>14,500</b>	–	<b>14,500</b>	–	<b>14,500</b>	–	<b>14,500</b>

## 17. CURRENT/NON-CURRENT LIABILITIES – PROVISIONS

	Consolidated		Parent	
	2007	2006	2007	2006
At amortised cost	\$000	\$000	\$000	\$000
<b>Employee benefits and related on-costs</b>				
<b>Current</b>				
Superannuation	–	–	–	–
Annual leave (i)	44,885	43,596	–	–
Long service leave (ii)	171,959	189,036	–	–
	216,844	232,632	–	–
<b>Non-current</b>				
Superannuation	109,764	217,433	–	–
Long service leave	13,631	–	–	–
Other	542	542	–	–
	123,937	217,975	–	–
<b>Total provisions</b>	<b>340,781</b>	<b>450,607</b>	–	–
<b>Aggregate employee benefits and related on-costs</b>				
Provisions – current	216,844	232,632	–	–
Provisions – non-current	123,937	217,975	–	–
Accrued salaries, wages and on-costs (Note 14)	4404	4562	–	–
	345,185	455,169	–	–

(i) The value of annual leave expected to be taken within 12 months is \$27.110 million and \$11.618 million after 12 months.

(ii) The value of long service leave expected to be taken within 12 months is \$7.172 million and \$158.180 million after 12 months.

### Provision for superannuation – consolidated

Superannuation statements include both employer and employee superannuation assets and liabilities as prescribed by AASB 119 Employee Benefits.

General description of the plan

The Pooled Fund holds in trust the investments of the closed NSW public sector superannuation schemes:

- State Authorities Superannuation Scheme (SASS).
- State Superannuation Scheme (SSS).
- State Authorities Non-contributory Superannuation Scheme (SANCS).

These schemes are all defined benefit schemes – at least a component of the final benefit is derived from a multiple of member salary and years of membership. All the schemes are closed to new members.

Actuarial gains and losses are recognised in profit or loss in the year they occur.

# FINANCIAL STATEMENTS

The following information has been prepared by the scheme actuary.

## Reconciliation of the assets and liabilities recognised in the balance sheet

	SSAS Financial year to 30 June 2007 \$000	SANCS Financial year to 30 June 2007 \$000	SSS Financial year to 30 June 2007 \$000	Total
Present value of defined benefit obligations	489,099	69,623	734,718	1,293,440
Fair value of plan assets	(411,205)	(37,753)	(784,113)	(1,233,071)
	77,894	31,870	(49,395)	60,369
Surplus in excess of recovery available from schemes	–	–	–	–
Unrecognised past service cost	–	–	–	–
Prepayment	–	–	49,395	49,395
<b>Net (asset)/liability to be disclosed in balance sheet</b>	<b>77,894</b>	<b>31,870</b>	<b>–</b>	<b>109,764</b>

	SSAS Financial year to 30 June 2006 A\$000	SANCS Financial year to 30 June 2006 A\$000	SSS Financial year to 30 June 2006 A\$000	Total
Present value of defined benefit obligations	471,698	70,059	750,583	1,292,340
Fair value of plan assets	(370,708)	(34,720)	(669,479)	(1,074,907)
	100,990	35,339	81,104	217,433
Surplus in excess of recovery available from schemes	–	–	–	–
Unrecognised past service cost	–	–	–	–
<b>Net (asset)/liability to be disclosed in balance sheet</b>	<b>100,990</b>	<b>35,339</b>	<b>81,104</b>	<b>217,433</b>

All fund assets are invested by Superannuation Trustee Corporation at arm's length through independent fund managers.

## Movement in net liability/asset recognised in balance sheet

	SSAS Financial year to 30 June 2007 \$000	SANCS Financial year to 30 June 2007 \$000	SSS Financial year to 30 June 2007 \$000	Total
Net (asset)/liability at start of year	100,990	35,339	81,104	217,433
Net expense recognised in the operating statement	(3289)	1656	(103,145)	(104,778)
Transfer to prepayment (note 12(a))	–	–	49,395	49,395
Net expense recognised in the income statement	(3289)	1656	(53,750)	(55,383)
Contributions	(19,807)	(5,125)	(27,354)	(52,286)
<b>Net (asset)/liability to be disclosed in balance sheet</b>	<b>77,894</b>	<b>31,870</b>	<b>–</b>	<b>109,764</b>

# FINANCIAL STATEMENTS

	SSAS Financial year to 30 June 2006 \$000	SANCS Financial year to 30 June 2006 \$000	SSS Financial year to 30 June 2006 \$000	Total
Net (asset)/liability at start of year	163,644	17,932	224,112	405,688
Net expense recognised in the operating statement	(12,769)	(4,666)	(124,321)	(141,756)
Contributions	(49,885)	22,073	(18,687)	(46,499)
<b>Net (asset)/liability to be disclosed in balance sheet</b>	<b>100,990</b>	<b>35,339</b>	<b>81,104</b>	<b>217,433</b>

## Total expense recognised in income statement

	SSAS Financial year to 30 June 2007 \$000	SANCS Financial year to 30 June 2007 \$000	SSS Financial year to 30 June 2007 \$000	Total
Current service cost	11,763	3995	5301	21,059
Interest on obligation	26,951	3930	43,592	74,473
Expected return on plan assets	(27,747)	(2570)	(50,978)	(81,295)
Net actuarial losses (gains) recognised in year	(14,254)	(3699)	(101,059)	(119,012)
Change in surplus in excess of recovery available from scheme	–	–	–	–
Past service cost	–	–	–	–
Losses (gains) on curtailments and settlements	–	–	–	–
Transfer to prepayment (note 12(a))	–	–	49,395	49,395
<b>Total included in 'employee benefits expense'</b>	<b>(3287)</b>	<b>1656</b>	<b>(53,749)</b>	<b>(55,384)</b>

	SSAS Financial year to 30 June 2006 \$000	SANCS Financial year to 30 June 2006 \$000	SSS Financial year to 30 June 2006 \$000	Total
Current service cost	12,813	4059	7859	24,731
Interest on obligation	26,334	3552	43,881	73,767
Expected return on plan assets	(21,524)	(4020)	(43,912)	(69,456)
Net actuarial losses (gains) recognised in year	(30,392)	(8258)	(132,149)	(170,799)
Change in surplus in excess of recovery available from scheme	–	–	–	–
Past service cost	–	–	–	–
Losses (gains) on curtailments and settlements	–	–	–	–
<b>Total included in 'employee benefits expense'</b>	<b>(12,769)</b>	<b>(4667)</b>	<b>(124,321)</b>	<b>(141,757)</b>



# FINANCIAL STATEMENTS

## Actual return on plan assets

	SSAS Financial year to 30 June 2007	SANCS Financial year to 30 June 2007	SSS Financial year to 30 June 2007	Total
	\$000	\$000	\$000	
<b>Actual return on plan assets</b>	<b>53,188</b>	<b>4729</b>	<b>96,106</b>	<b>154,023</b>

	SSAS Financial year to 30 June 2006	SANCS Financial year to 30 June 2006	SSS Financial year to 30 June 2006	Total
	\$000	\$000	\$000	
<b>Actual return on plan assets</b>	<b>44,630</b>	<b>7827</b>	<b>90,214</b>	<b>142,671</b>

## Valuation method and principal actuarial assumptions at the reporting date

### a) Valuation method

The Projected Unit Credit valuation method was used to determine the present value of the defined benefit obligations and the related current service costs. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

### b) Economic assumptions

	30 June 2007	30 June 2006
Discount rate at 30 June	6.4%pa	5.9%pa
Expected return on plan assets at 30 June	7.6%	7.6%
Expected salary increases	4.0% pa to June 2008; 3.5% pa thereafter	4.0% pa to 2008; 3.5% pa thereafter
Expected rate of CPI increase	2.5% pa	2.5%pa

## Arrangements for employer contributions for funding

The following is a summary of the 30 June 2007 financial position of the fund calculated in accordance with AAS 25 – Financial Reporting by Superannuation Plans.

	SSAS Financial year to 30 June 2007	SANCS Financial year to 30 June 2007	SSS Financial year to 30 June 2007	Total
	\$000	\$000	\$000	
Accrued benefits	481,427	68,921	664,340	1,214,688
Net market value of fund assets	(411,205)	(37,754)	(784,113)	(1,233,072)
<b>Net (surplus)/deficit</b>	<b>70,222</b>	<b>31,167</b>	<b>(119,773)</b>	<b>(18,384)</b>

	SSAS Financial year to 30 June 2006	SANCS Financial year to 30 June 2006	SSS Financial year to 30 June 2006	Total
	\$000	\$000	\$000	
Accrued benefits	451,422	66,565	635,010	1,152,997
Net market value of fund assets	(370,708)	(34,720)	(669,479)	(1,074,907)
<b>Net (surplus)/deficit</b>	<b>80,714</b>	<b>31,845</b>	<b>(34,469)</b>	<b>78,090</b>

# FINANCIAL STATEMENTS

Recommended contribution rates for the entity are:

SASS	SANCS	SSS
multiple of member contributions	% member salary	multiple of member contributions
2.80	3.00% pa	4.10

The method used to determine the employer contribution recommendations at the last actuarial review was the Aggregate Funding method. The method adopted affects the timing of the cost to the employer.

Under the Aggregate Funding method, the employer contribution rate is determined so that sufficient assets will be available to meet benefit payments to existing members, taking into account the current value of assets and future contributions.

The economic assumptions adopted for the current actuarial review of the fund were:

Weighted-average assumptions	2007	2006
Expected rate of return on Fund assets	7.6% pa	7.3% pa
Expected salary increase rate	4.0% pa	4.0% pa
Expected rate of CPI increase	2.5% pa	2.5% pa

## Nature of asset/liability

If a surplus exists in the employer's interest in the fund, the employer may be able to take advantage of it in the form of a reduction in the required contribution rate, depending on the advice of the fund's actuary.

Where a deficiency exists, the employer is responsible for any difference between the employer's share of fund assets and the defined benefit obligation.

## 18. CURRENT/NON-CURRENT LIABILITIES – OTHER

	Consolidated		Parent	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
<b>Current</b>				
Statutory creditors	14,657	22,302	14,657	22,302
Principal outstanding on bonds issued to private sector	15,933	14,938	15,933	14,938
Unearned rent on M4 and M5 motorways	3201	3105	3201	3105
Sydney Harbour Tunnel tax liabilities	1716	1678	1716	1678
Income received in advance	13,568	11,248	13,568	11,248
Liability to the consolidated fund	–	28,050	–	28,050
Holding accounts	66,460	51,378	66,460	51,378
Deferred revenue – reimbursement on private sector provided infrastructure	11,575	10,242	11,575	10,242
	<b>127,110</b>	<b>142,941</b>	<b>127,110</b>	<b>142,941</b>
<b>Non-current</b>				
Principal outstanding on bonds issued to private sector	313,802	329,736	313,802	329,736
Unearned rent on M4 and M5 motorways	14,271	17,376	14,271	17,376
Sydney Harbour Tunnel tax liabilities	24,035	24,218	24,035	24,218
Deferred revenue – reimbursement on private sector provided infrastructure	343,443	354,352	343,443	354,352
	<b>695,551</b>	<b>725,682</b>	<b>695,551</b>	<b>725,682</b>

# FINANCIAL STATEMENTS

The liability in respect of the Sydney Harbour Tunnel has been recognised at the Net Present Value of the Ensured Revenue Stream Agreement. This has been calculated at \$329.735 million (2005–06 was \$344.674 million), being the principal outstanding as at 30 June 2007 on the bonds issued by the Sydney Harbour Tunnel Company to the private sector.

Since 1993 the RTA has disclosed a possible tax liability as a contingent liability in its annual accounts. This liability crystallised during the 2002–03 tax year. Following negotiations between interested parties including the Australian Taxation Office, a settlement was entered into between the RTA, the State Government, the Sydney Harbour Tunnel Company Limited and Tunnel Holdings Pty Ltd (refer note 12(b)).

	Consolidated		Parent	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
<b>Current</b>				
Sydney Harbour Tunnel past tax liability	1377	1340	1377	1340
Sydney Harbour Tunnel future tax liability	338	338	338	338
	<b>1715</b>	<b>1678</b>	<b>1715</b>	<b>1678</b>
<b>Non-current</b>				
Sydney Harbour Tunnel past tax liability	15,410	15,874	15,410	15,874
Sydney Harbour Tunnel future tax liability	8625	8344	8625	8344
	<b>24,035</b>	<b>24,218</b>	<b>24,035</b>	<b>24,218</b>

Under the M4 lease agreement, \$46.615 million was received from Statewide Roads Pty Ltd as rent in advance.

In accordance with generally accepted accounting principles, this revenue is brought to account over the period of the lease. This treatment is summarised as follows:

	Consolidated		Parent	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Rent earned in prior years	37,995	35,620	37,995	35,620
Rent earned in current year	2375	2375	2375	2375
Unearned rent as at 30 June 2007	6245	8620	6245	8620
	<b>46,615</b>	<b>46,615</b>	<b>46,615</b>	<b>46,615</b>

The land acquisition loan of \$22 million, based on the cost of land under the M5 originally purchased by the RTA, was repaid in June 1997 by Interlink Roads Pty Ltd (ILR). The repayment of the loan is considered to be a prepayment of the remaining rental over the period of the concession agreement. In accordance with AASB 117, this revenue is brought to account over the period of the lease.

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

	Consolidated		Parent	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Rent earned in prior years	10,139	9408	10,139	9408
Rent earned in current year	731	731	731	731
Unearned rent as at 30 June 2007	11,130	11,861	11,130	11,861
	<b>22,000</b>	<b>22,000</b>	<b>22,000</b>	<b>22,000</b>

# FINANCIAL STATEMENTS

Under the various private sector provided infrastructure \$369.915 million was received following the letting of the Lane Cove Tunnel, Cross City Tunnel and Westlink M7 Motorway contracts as reimbursement of development costs. NSW Treasury have mandated the adoption of TPP 06–08 'Accounting for Privately Funded Projects', which requires revenue to be brought to account over the period of the concessions. The treatment is summarised as follows.

	Consolidated		Parent	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Amortisation of deferred revenue in prior years	5321	595	5321	595
Amortisation of deferred revenue in current year	9576	4726	9576	4726
Unearned reimbursement as at 30 June 2007	355,018	364,594	355,018	364,594
	<b>369,915</b>	<b>369,915</b>	<b>369,915</b>	<b>369,915</b>

## 19. CHANGES IN EQUITY

	Consolidated		Parent	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Reserves				
Accumulated funds	42,778,294	41,650,892	42,778,294	41,650,892
Asset revaluation reserve	30,569,964	27,829,667	30,569,964	27,829,667
	<b>73,348,258</b>	<b>69,480,559</b>	<b>73,348,258</b>	<b>69,480,559</b>

	Accumulated funds		Asset revaluation		Total equity							
	Consolidated		Parent		Consolidated		Parent					
	2007	2006	2007	2006	2007	2006	2007	2006				
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000				
Balance at beginning of the financial year	41,650,892	40,899,924	41,650,892	40,899,924	27,829,667	29,475,173	27,829,667	29,475,173	69,480,559	70,375,097	69,480,559	70,375,097
AASB 139 first time adoption	–	(22,298)	–	(22,298)	–	–	–	–	–	(22,298)	–	(22,298)
Surplus/deficit for year	1,105,311	731,629	1,105,311	731,629	–	–	–	–	1,105,311	731,629	1,105,311	731,629
Increment/decrement on												
– Land and buildings	–	–	–	–	(63,278)	(383,370)	(63,278)	(383,370)	(63,278)	(383,370)	(63,278)	(383,370)
– Authority infrastructure	–	–	–	–	2,825,666	(1,220,499)	2,825,666	(1,220,499)	2,825,666	(1,220,499)	2,825,666	(1,220,499)
Transfers from asset revaluation reserve for asset disposals	22,091	41,637	22,091	41,637	(22,091)	(41,637)	(22,091)	(41,637)	–	–	–	–
<b>Balance at the end of the financial year</b>	<b>42,778,294</b>	<b>41,650,892</b>	<b>42,778,294</b>	<b>41,650,892</b>	<b>30,569,964</b>	<b>27,829,667</b>	<b>30,569,964</b>	<b>27,829,667</b>	<b>73,348,258</b>	<b>69,480,559</b>	<b>73,348,258</b>	<b>69,480,559</b>

## 20. COMMITMENTS FOR EXPENDITURE

### (a) Capital commitments

	Consolidated		Parent	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Payable no later than 1 year				
– Value of work to be completed	390,680	898,877	390,680	898,877
Payable later than 1, but not later than 5 years				
– Value of work to be completed	355,790	242,526	355,790	242,526
Payable later than 5 years	176,184	29,174	176,184	29,174
	<b>922,654</b>	<b>1,170,577</b>	<b>922,654</b>	<b>1,170,577</b>

### (b) Other expenditure commitments

	Consolidated		Parent	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Payable no later than 1 year				
– Value of work to be completed	180,540	132,760	180,540	132,760
Payable later than 1, but not later than 5 years	29,916	82,243	29,916	82,243
Payable later than 5 years	11,321	107,774	11,321	107,774
	<b>221,777</b>	<b>322,777</b>	<b>221,777</b>	<b>322,777</b>

### (c) Operating lease commitments

Operating lease commitments relate to property, IT equipment and light and heavy motor vehicles. Operating lease commitments are not recognised in the financial statements as liabilities. Total operating lease commitments are as follows:

	Consolidated		Parent	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Not later than 1 year	53,791	56,136	53,791	56,136
Later than 1 year and not later than 5 years	57,736	58,872	57,736	58,872
Later than 5 years	27,764	14,582	27,764	14,582
	<b>139,291</b>	<b>129,590</b>	<b>139,291</b>	<b>129,590</b>

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

The property operating lease commitments are as follows:

	Consolidated		Parent	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Not later than 1 year	23,850	25,042	23,850	25,042
Later than 1 year and not later than 5 years	30,149	38,414	30,149	38,414
Later than 5 years	27,764	14,582	27,764	14,582
	<b>81,763</b>	<b>78,038</b>	<b>81,763</b>	<b>78,038</b>

IT equipment operating leases have been negotiated with Dell Computer Pty Ltd, Fujitsu Australia Ltd and Macquarie IT Pty Ltd.

The IT operating lease commitments are as follows:

	Consolidated		Parent	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Not later than 1 year	2328	8341	2328	8341
Later than 1 year and not later than 5 years	1145	4382	1145	4382
Later than 5 years	–	–	–	–
	<b>3473</b>	<b>12,723</b>	<b>3473</b>	<b>12,723</b>

The light motor vehicle lease is with State Fleet Services and is finance by Macquarie Bank. The lease is scheduled to cease in September 2008.

The light motor vehicle operating lease commitments are as follows:

	Consolidated		Parent	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Not later than 1 year	22,317	18,394	22,317	18,394
Later than 1 year and not later than 5 years	16,199	5963	16,199	5963
Later than 5 years	–	–	–	–
	<b>38,516</b>	<b>24,357</b>	<b>38,516</b>	<b>24,357</b>

The heavy motor vehicle lease is held and financed with Orix. The lease is scheduled to cease in July 2007.

The heavy motor vehicle operating lease commitments are as follows:

	Consolidated		Parent	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Not later than 1 year	5296	4359	5296	4359
Later than 1 year and not later than 5 years	10,243	10,113	10,243	10,113
Later than 5 years	–	–	–	–
	<b>15,539</b>	<b>14,472</b>	<b>15,539</b>	<b>14,472</b>

The total commitments detailed above include GST input tax credits of \$116.702 million (2005–06 – \$147.540 million) that are expected to be recoverable from the Australian Tax Office.

## 21. AFTER BALANCE SHEET DATE EVENT

There are no significant after balance sheet date events.

## 22. CONTINGENT ASSETS AND LIABILITIES

There was one claim (2005–06 there were two claims) for damage or injury currently being litigated with an estimated total contingent liability to the RTA of \$0.400 million (2005–06 was \$1.12 million) as at 30 June 2007. However this matter was settled on 27 July 2007 for \$0.250 million. Any claims resulting from incidents which have occurred since 1 July 1989 are not included in the above figures as costs for such claims are now covered by the RTA's insurance with the Treasury Managed Fund.

There are three significant contractual disputes (2005–06 – five disputes) with an estimated total contingent liability of \$56.000 million (2005–06 – \$42.925 million). There are also 20 compulsory property acquisition matters under litigation with an estimated contingent liability of \$46.458 million.

The RTA has certain obligations under contracts with private sector parties with the performance of these obligations guaranteed by the State. The current guarantees outstanding are for the Sydney Harbour Tunnel, the M2 Motorway, the Eastern Distributor, the Cross City Tunnel, the Western Sydney Orbital and the Lane Cove Tunnel. There is no reason to believe that these guarantees are ever to be exercised.

Following a Modification Approval from the Minister for Planning, the RTA made changes to certain traffic arrangements in the Sydney CBD that had been implemented for the Cross City Tunnel project. Some of the changes may entitle Cross City Motorway Pty Ltd to claim compensation from the RTA. No claim has yet been made and the potential quantum is not known.

## 23. NATIVE TITLE

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

In this regard the RTA has undertaken an assessment of the impact on its financial position. This assessment indicates as at 30 June 2007 there were no Native Title claims, which had, been initiated against the RTA.

## 24. BUDGET REVIEW

### (a) Net cost of services

The actual net cost of services of \$1,856.119 million was \$104.984 million less than budget. The variance was primarily due to general increases in retained revenue together with decreases in depreciation and employee related expenses.

### (b) Assets and liabilities

Net assets have increased by \$2,891.001 million when compared to budget. This is principally due to an increase in the value of the RTA's general roads and land under roads infrastructure.

The value of land and buildings held for sale increased by \$22.676 million when compared to budget. Current assets increased by \$149.465 million. An increase in cash and cash equivalents of \$81.893 million was partially offset by a reduction in receivables.

The change in net assets is also impacted by a decrease in total liabilities of \$76.938 million compared to the budget. This is principally due to decreases in employee related provisions of \$117.747 million partly offset off by an increase in borrowings of \$80.691 million.

### (c) Cash flows

Net cash flow from operating activities is \$54 million less than the budget. This was mainly due to an increase in payments of \$157 million partially offset by an increase in receipts of \$107 million.

Net cash outflow in relation to investing activities is \$53 million less than the budget due primarily to purchases of land and buildings, plant and equipment and infrastructure systems being \$56 million less than the budget.

## 25. RECONCILIATION OF CASH FLOWS FROM NET COST OF SERVICES TO OPERATING ACTIVITIES

	Consolidated		Parent	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Net cash used on operating activities	1,565,497	1,287,188	1,565,497	1,148,478
Cash flows from government/appropriations	(2,933,380)	(2,513,129)	(2,933,380)	(2,513,129)
Adjustments for revenues & expenses not involving cash				
Non-cash/revenue/expenses				
Net (loss)/gain on sale of plant and equipment	3337	16,177	3337	16,177
WDV – Infrastructure	(88,900)	(77,717)	(88,900)	(77,717)
Depreciation/amortisation	(774,070)	(697,118)	(774,070)	(697,118)
	<b>(859,633)</b>	<b>(758,658)</b>	<b>(859,633)</b>	<b>(758,658)</b>
Adjustments for cash movement in operating assets and liabilities				
Decrease in receivables	(46,058)	75,712	(46,058)	75,712
Increase in inventories	389	206	389	206
Decrease in creditors	307,241	(55,071)	307,241	(55,071)
Decrease in provisions	109,825	181,252	109,825	181,252
	<b>371,397</b>	<b>203,099</b>	<b>371,397</b>	<b>203,099</b>
<b>Net cost of services (as per operating statement)</b>	<b>(1,856,119)</b>	<b>(1,781,500)</b>	<b>(1,856,119)</b>	<b>(1,781,500)</b>

Reconciliation of cash flows from the net cost of services as reported in the operating statement to the net cash used on operating activities.

### End of audited financial statements





GPO BOX 12  
Sydney NSW 2001

## INDEPENDENT AUDITOR'S REPORT

### ROADS AND TRAFFIC AUTHORITY DIVISION

To Members of the New South Wales Parliament

I have audited the accompanying financial report of the Roads and Traffic Authority Division (the Division), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of recognised income and expense and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes.

#### Auditor's Opinion

In my opinion, the financial report:

- presents fairly, in all material respects, the financial position of the Division as of 30 June 2007, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the *Public Finance and Audit Regulation 2005*.

#### The Chief Executive's Responsibility for the Financial Report

The Chief Executive of the Division is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### Auditor's Responsibility

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

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

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

My opinion does not provide assurance:

- about the future viability of the Division,
- that it has carried out its activities effectively, efficiently and economically, or
- about the effectiveness of its internal controls.

#### Independence

In conducting this audit, the Audit Office has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A Act further promotes independence by:

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

James Sugumar  
Acting Director, Financial Audit Services

5 October 2007  
SYDNEY

## ROADS AND TRAFFIC AUTHORITY DIVISION OF THE GOVERNMENT SERVICE OF NSW

YEAR ENDED 30 JUNE 2007

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

1. The accompanying financial statements exhibit a true and fair view of the Division's financial position as at 30 June 2007 and transactions for the year then ended.
2. The statements have been prepared in accordance with the provisions of the Public Finance and Audit Act 1983, the Public Finance and Audit Regulation 2005 and the Treasurer's Directions.

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



**Brett Skinner**  
Director, Finance and Commercial Development  
3 October 2007



**Les Wielinga**  
Chief Executive  
3 October 2007

## INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	2007 \$000	17 March 2006 to 30 June 2006 \$000
<b>Income</b>		
Personnel services	281,558	78,365
Total income	281,558	78,365
<b>Expenses</b>		
Salaries and wages (including recreation leave)	325,563	91,258
Long service leave	(4797)	4209
Superannuation – defined benefit plan	(109,256)	(40,783)
Superannuation – defined contribution plan	15,771	9990
Workers compensation insurance	4113	2254
Payroll tax and fringe benefits tax	25,041	9655
Redundancy	6848	1782
Other	18,275	–
Total expenses	<b>281,558</b>	<b>78,365</b>
<b>Operating result</b>	–	–

## STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR THE YEAR ENDED 30 JUNE 2007

	June 2007 \$000	17 March 2006 to 30 June 2006 \$000
Total income and expenses recognised directly in equity	–	–
Operating result	–	–
Total income and expense recognised for the year	–	–

## BALANCE SHEET AS AT 30 JUNE 2007

	Notes	30 June 2007 \$000	30 June 2006 \$000
<b>Assets</b>			
Receivables	2(a)	335,945	500,562
Prepayment	2(b)	49,395	124
<b>Total assets</b>		<b>385,340</b>	<b>500,686</b>
<b>Liabilities</b>			
Current liabilities			
Payables	3(a)	44,559	50,079
Provisions	3(b)	216,844	232,632
Total current liabilities		261,403	282,711
Non-current liabilities			
Provisions	3(c)	123,937	217,975
Total non-current liabilities		123,937	217,975
<b>Total liabilities</b>		<b>385,340</b>	<b>500,686</b>
<b>Net assets</b>		<b>-</b>	<b>-</b>
<b>Equity</b>			
Accumulated funds		-	-
<b>Total equity</b>		<b>-</b>	<b>-</b>

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Notes	2007 \$000	17 March 2006 to 30 June 2006 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Payments</b>			
Employee related		-	-
<b>Total Payments</b>		<b>-</b>	<b>-</b>
<b>Receipts</b>			
Sale of services		-	-
<b>Total receipts</b>		<b>-</b>	<b>-</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	4	<b>-</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>-</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>-</b>	<b>-</b>
<b>NET INCREASE / (DECREASE) IN CASH</b>		<b>-</b>	<b>-</b>
Opening cash and cash equivalents		-	-
<b>CLOSING CASH AND CASH EQUIVALENTS</b>		<b>-</b>	<b>-</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS OF THE ROADS AND TRAFFIC AUTHORITY DIVISION OF THE GOVERNMENT SERVICE OF NSW FOR THE YEAR ENDED 30 JUNE 2007

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Reporting entity

The Roads and Traffic Authority of NSW (RTA) Division of the Government Service of NSW (The Division) is a Division of the Government Service, established pursuant to Part 2 of Schedule 1 to the *Public Sector Employment and Management Act 2002*. It is a not-for-profit entity as profit is not its principal objective. It is consolidated as part of the NSW Total State Sector Accounts. It is domiciled in Australia and its principal office is at 260 Elizabeth Street Surry Hills NSW.

The Division's objective is to provide personnel services to the RTA.

The Division commenced operations on 17 March 2006 when it assumed responsibility for the employees and employee-related liabilities of the RTA. The assumed liabilities were recognised on 17 March 2006 together with an offsetting receivable representing the related funding due from the former employer.

These financial statements have been authorised for issue by the Audit and Risk Committee on 3 October 2007.

#### (b) Basis of preparation

The Division's financial statements are a general purpose financial report which has been prepared in accordance with:

- Applicable Accounting Standards and interpretations (which include Australian equivalents to International Financial Reporting Standards) and in particular Australian Accounting Standard AAS31 Financial Reporting by Governments.
- The requirements of the *Public Finance and Audit Act 1983* and regulation.
- The Financial Reporting Directions published in the Financial Reporting Code (FRC) for Budget Dependent General Government Sector Agencies or issued by the Treasurer under Section 9(2)(n) of the Act.

In the event of any inconsistency between accounting standards and legislative requirements, the latter are given precedence.

Except for the revaluation of certain non-current assets and financial instruments, the financial statements are prepared in accordance with the historical cost convention. Cost is based on the fair value of the consideration given in exchange for assets.

Judgements, estimates and associated assumptions about carrying values of assets and liabilities that are not readily apparent from other sources are based on historical experience

and various other factors that are believed to be reasonable under the circumstance. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised. Judgements, estimates and assumptions made by management are disclosed in the relevant notes to the financial statements.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability.

Unless otherwise stated all amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

#### (c) New accounting standards and interpretation

The Division did not early adopt any new accounting standards that are not yet effective.

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2007 reporting periods. The following new Accounting Standards and Interpretations have not yet been adopted and are not yet effective:

- AASB 2 Share Based Payment (1 March 2007)
- AASB 7 Financial Instruments: Disclosure (1 January 2007) & AASB 2005-10 Amendments to Australian Accounting Standards (1 January 2007)
- AASB 8 Operating Segments (1 January 2009) & 2007-3 Amendments to Australian Accounting Standards from AASB 8 (1 January 2009)
- AASB 101 Presentation of Financial Statements (1 January 2007)
- AASB 123 Borrowing Costs (1 January 2009) & 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 (1 January 2009)
- AASB 1045 Land Under Roads: Amendments to AAS 27A, AAS 29A and AAS 31A (31 December 2006) & 2006-3 Amendments to Australian Accounting Standards (31 December 2006)
- AASB 1049 Financial Reporting of General Government Sectors by Governments (1 July 2008)
- 2007-4 Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments (1 July 2007)
- 2007-5 Amendments to Australian Accounting Standard – Inventories Held for Distribution by Not-for-Profit Entities (1 July 2007)
- Interpretation 4 Determining whether an Arrangement contains a Lease (1 January 2008)
- Interpretation 10 Interim Financial Reporting and Impairment (1 November 2006)
- Interpretation 11 Group and Treasury Share Transactions (1 March 2007) & AASB 2007-1 Amendments to Australian Accounting Standards arising from AASB Interpretation 11 (1 March 2007)



- Interpretation 12 Service Concession Arrangements (1 January 2008) & AASB 2007-2 Amendments to Australian Accounting Standards arising from AASB Interpretation 12 (1 January 2008)
- Interpretation 129 Service Concession Arrangements: Disclosures (1 January 2008)

It is considered that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the Division.

## (d) Presentation of notes to the financial statements

In prior years some notes to the financial report disclosed revenue and expenditure by function rather than by nature. This year the financial report discloses all revenue and expenses by nature.

## (e) Income

Income is measured at the fair value of the consideration received or receivable. Revenue from the rendering of personnel services is recognised when the service is provided and only to the extent that the associated recoverable expenses are recognised.

## (f) Receivables

A receivable is recognised when it is probable that the future cash inflows associated with it will be realised and it has a value that can be measured reliably. It is derecognised when the contractual or other rights to future cash flows from it expire or are transferred.

Receivables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial. An allowance for impairment of receivables is established when there is objective evidence that the entity will not be able to collect all amounts due. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Bad debts are written off as incurred.

## (g) Payables

Payables include accrued wages, salaries, and related on costs (such as payroll tax, fringe benefits tax and workers compensation insurance) where there is certainty as to the amount and timing of settlement.

A payable is recognised when a present obligation arises under a contract or otherwise. It is derecognised when the obligation expires or is discharged, cancelled or substituted.

Payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

## (h) Employee benefit provisions and expenses

Provisions are made for liabilities of uncertain amount or uncertain timing of settlement.

Employee benefit provisions represent expected amounts payable in the future in respect of unused entitlements accumulated as at the reporting date. Liabilities associated with, but that are not, employee benefits (such as payroll tax) are recognised separately.

Superannuation and leave liabilities are recognised as expenses and provisions when the obligations arise, which is usually through the rendering of service by employees.

Long-term annual leave (that is not expected to be taken within 12 months) is measured at present value using a discount rate equal to the market yield on government bonds.

Superannuation and long service leave provisions are actuarially assessed prior to each reporting date and are measured at the present value of the estimated future payments.

All other employee benefit liabilities (i.e. for benefits falling due wholly within 12 months after reporting date) are assessed by management and are measured at the undiscounted amount of the estimated future payments.

The amount recognised for superannuation is the net total of the present value of the defined benefit obligation at the reporting date, minus the fair value at that date of any plan assets out of which the obligation are to be settled directly.

The amount recognised in the income statement for superannuation and long service leave is the net total of current service cost, interest cost, the expected return on any plan assets, and actuarial gains and losses. Actuarial gains or losses are recognised as income or expense in the year they occur.

The actuarial assessment of superannuation provisions uses the Projected Unit Credit Method and reflects estimated future salary increases and the benefits set out in the terms of the plan. The liabilities are discounted using the market yield rate on government bonds of similar maturity to those obligations. Actuarial assumptions are unbiased and mutually compatible and financial assumptions are based on market expectations for the period over which the obligations are to be settled.

## 2. CURRENT ASSETS

### (a) Receivables

	30 June 2007 \$000	30 June 2006 \$000
<b>Inter entity receivable – RTA</b>	<b>335,945</b>	<b>500,562</b>

### (b) Prepayments

	30 June 2007 \$000	30 June 2006 \$000
Superannuation	49,395	–
Payroll tax	–	124
	<b>49,395</b>	<b>124</b>

## 3. CURRENT LIABILITIES/NON-CURRENT LIABILITIES

### (a) Payables

	30 June 2007 \$000	30 June 2006 \$000
Accrued expenses	4404	4562
Payroll Tax	5124	–
GST Payable	35,031	45,517
	<b>44,559</b>	<b>50,079</b>

### (b) Provisions – current

	30 June 2007 \$000	30 June 2006 \$000
Superannuation	–	–
Annual leave (i)	44,885	43,596
Long service leave (ii)	171,959	189,036
<b>Accrued expenses</b>	<b>216,844</b>	<b>232,632</b>

### (c) Provisions – non-current

	30 June 2007 \$000	30 June 2006 \$000
Superannuation	109,764	217,433
Long service leave	13,631	–
Employee related on costs	542	542
	<b>123,927</b>	<b>217,975</b>

(i) The value of annual leave expected to be taken within 12 months is \$27.110 million and \$11.618 million after 12 months.

(ii) The value of long service leave expected to be taken within 12 months is \$7.172 million and \$158.180 million after 12 months.

### Provision for superannuation

Superannuation statements include both employer and employee superannuation assets and liabilities as prescribed by AASB 119 Employee Benefits.

General description of the plan

The Pooled Fund holds in trust the investments of the closed NSW public sector superannuation schemes:

- State Authorities Superannuation Scheme (SASS)
- State Superannuation Scheme (SSS)

- State Authorities Non-contributory Superannuation Scheme (SANCS).

These schemes are all defined benefit schemes – at least a component of the final benefit is derived from a multiple of member salary and years of membership. All the schemes are closed to new members.

Actuarial gains and losses are recognised in profit or loss in the year they occur.

The following information has been prepared by the scheme actuary.



# FINANCIAL STATEMENTS

## Reconciliation of the assets and liabilities recognised in the balance sheet

	SSAS Financial year to 30 June 2007 \$000	SANCS Financial year to 30 June 2007 \$000	SSS Financial year to 30 June 2007 \$000	Total
Present value of defined benefit obligations	489,099	69,623	734,718	1,293,440
Fair value of plan assets	(411,205)	(37,753)	(784,113)	(1,233,071)
	77,894	31,870	(49,395)	60,369
Surplus in excess of recovery available from schemes	–	–	–	–
Unrecognised past service cost	–	–	–	–
Prepayment	–	–	49,395	49,395
<b>Net (asset)/liability to be disclosed in balance sheet</b>	<b>77,894</b>	<b>31,870</b>	<b>–</b>	<b>109,764</b>

	SSAS Financial year to 30 June 2006 \$000	SANCS Financial year to 30 June 2006 \$000	SSS Financial year to 30 June 2006 \$000	Total
Present value of defined benefit obligations	471,698	70,059	750,583	1,292,340
Fair value of plan assets	(370,708)	(34,720)	(669,479)	(1,074,907)
	100,990	35,339	81,104	217,433
Surplus in excess of recovery available from schemes	–	–	–	–
Unrecognised past service cost	–	–	–	–
<b>Net (asset)/liability to be disclosed in balance sheet</b>	<b>100,990</b>	<b>35,339</b>	<b>81,104</b>	<b>217,433</b>

All fund assets are invested by Superannuation Trustee Corporation at arm's length through independent fund managers.

## Movement in net liability/asset recognised in balance sheet

	SSAS Financial year to 30 June 2007 \$000	SANCS Financial year to 30 June 2007 \$000	SSS Financial year to 30 June 2007 \$000	Total
Net (asset)/liability at start of year	100,990	35,339	81,104	217,433
Net expense	(3289)	1656	(103,145)	(103,145)
Transfer to prepayment (note 2(b))	–	–	49,394	49,394
Net expense recognised in the income statement	(3289)	1656	(53,751)	(55,384)
Contributions	(19,807)	(5125)	(27,353)	(52,285)
<b>Net (asset)/liability to be disclosed in balance sheet</b>	<b>77,894</b>	<b>31,870</b>	<b>–</b>	<b>109,764</b>

	SSAS Financial year to 30 June 2006 \$000	SANCS Financial year to 30 June 2006 \$000	SSS Financial year to 30 June 2006 \$000	Total
Net (asset)/liability at start of year	163,644	17,932	224,112	405,688
Net expense recognised in the income statement	(12,769)	(4666)	(124,321)	(141,756)
Contributions	(49,885)	22,073	(18,687)	(46,499)
<b>Net (asset)/liability to be disclosed in balance sheet</b>	<b>100,990</b>	<b>35,339</b>	<b>81,104</b>	<b>217,433</b>

# FINANCIAL STATEMENTS

## Total expense recognised in income statement

	SSAS Financial year to 30 June 2007 \$000	SANCS Financial year to 30 June 2007 \$000	SSS Financial year to 30 June 2007 \$000	Total
Current service cost	11,763	3995	5301	21,059
Interest on obligation	26,951	3930	43,592	74,473
Expected return on plan assets	(27,747)	(2570)	(50,978)	(81,295)
Net actuarial losses (gains) recognised in year	(14,254)	(3699)	(101,059)	(119,012)
Change in surplus in excess of recovery available from scheme	–	–	–	–
Past service cost	–	–	–	–
Losses (gains) on curtailments and settlements	–	–	–	–
<b>Transfer to prepayment (note 2(b))</b>			49,395	49,395
<b>Total included in 'employee benefits expense'</b>	<b>(3287)</b>	<b>1656</b>	<b>(53,749)</b>	<b>(55,380)</b>

	SSAS Financial year to 30 June 2006 \$000	SANCS Financial year to 30 June 2006 \$000	SSS Financial year to 30 June 2006 \$000	Total
Current service cost	12,813	4059	7859	24,731
Interest on obligation	26,334	3552	43,881	73,767
Expected return on plan assets	(21,524)	(4020)	(43,912)	(69,456)
Net actuarial losses (gains) recognised in year	(30,392)	(8258)	(132,149)	(170,799)
Change in surplus in excess of recovery available from scheme	–	–	–	–
Past service cost	–	–	–	–
Losses (gains) on curtailments and settlements	–	–	–	–
<b>Total included in 'employee benefits expense'</b>	<b>(12,769)</b>	<b>(4667)</b>	<b>(124,321)</b>	<b>(141,757)</b>

## Actual return on plan assets

	SSAS Financial year to 30 June 2007 \$000	SANCS Financial year to 30 June 2007 \$000	SSS Financial year to 30 June 2007 \$000	Total
Actual return on plan assets	53,188	4729	96,106	154,023

	SSAS Financial year to 30 June 2006 \$000	SANCS Financial year to 30 June 2006 \$000	SSS Financial year to 30 June 2006 \$000	Total
Actual return on plan assets	44,630	7827	90,214	142,671

# FINANCIAL STATEMENTS

## Valuation method and principal actuarial assumptions at the reporting date

### a) Valuation method

The Projected Unit Credit valuation method was used to determine the present value of the defined benefit obligations and the related current service costs. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

### b) Economic assumptions

	30 June 2007	30 June 2006
Discount rate at 30 June	6.4%pa	5.9%pa
Expected return on plan assets at 30 June	7.6%	7.6%
Expected salary increases	4.0% pa to June 2008; 3.5% pa thereafter	4.0% pa to 2008; 3.5% pa thereafter
Expected rate of CPI increase	2.5% pa	2.5%pa

## Arrangements for employer contributions for funding

The following is a summary of the 30 June 2007 financial position of the fund calculated in accordance with AAS 25 – Financial Reporting by Superannuation Plans.

	SSAS Financial year to 30 June 2007	SANCS Financial year to 30 June 2007	SSS Financial year to 30 June 2007	Total
	\$000	\$000	\$000	
Accrued benefits	481,427	68,921	664,340	1,214,688
Net market value of Fund assets	(411,205)	(37,754)	(784,113)	(1,233,072)
<b>Net (surplus)/deficit</b>	<b>70,222</b>	<b>31,167</b>	<b>(119,773)</b>	<b>(18,384)</b>

	SSAS Financial year to 30 June 2006	SANCS Financial year to 30 June 2006	SSS Financial year to 30 June 2006	Total
	\$000	\$000	\$000	
Accrued benefits	451,422	66,565	635,010	1,152,997
Net market value of fund assets	(370,708)	(34,720)	(669,479)	(1,074,907)
<b>Net (surplus)/deficit</b>	<b>80,714</b>	<b>31,845</b>	<b>(34,469)</b>	<b>78,090</b>

Recommended contribution rates for the entity are:

SASS	SANCS	SSS
multiple of member contributions	% member salary	multiple of member contributions
2.80% pa	3.00% pa	4.10% pa

The method used to determine the employer contribution recommendations at the last actuarial review was the Aggregate Funding method. The method adopted affects the timing of the cost to the employer.

Under the Aggregate Funding method, the employer contribution rate is determined so that sufficient assets will be available to meet benefit payments to existing members, taking into account the current value of assets and future contributions.

# FINANCIAL STATEMENTS

The economic assumptions adopted for the current actuarial review of the fund are:

Weighted average assumptions	2007	2006
Expected rate of return on fund assets	7.6% pa	7.3% pa
Expected salary increase rate	4.0% pa	4.0% pa
Expected rate of CPI increase	2.5%	2.5% pa

## Nature of asset/liability

If a surplus exists in the employer's interest in the fund, the employer may be able to take advantage of it in the form of a reduction in the required contribution rate, depending on the advice of the fund's actuary.

Where a deficiency exists, the employer is responsible for any difference between the employer's share of fund assets and the defined benefit obligation.

## 4. RECONCILIATION OF CASH FLOWS FROM OPERATING RESULT TO OPERATING ACTIVITIES

	2007 \$000	17 March 2006 to 30 June 2006 \$000
Operating result	–	–
Increase/(decrease) in payables and other liabilities	(115,346)	455,168
(Increase)/decrease in receivables and other assets	115,346	(455,168)
Net cash used on operating activities	–	–

## 5. RELATED PARTY TRANSACTION

### (a) Relationship between RTA and the Division

As a result of the *Public Sector Employment Legislation Amendment Act 2006*, from 17 March 2006 previous employees of the RTA are now employees of the RTA Division of the Government Service of New South Wales (the Division).

The Division is a controlled entity of the RTA and its only function is to provide personnel services in the form of employee related activity to the RTA.

### (b) Transactions between RTA and the Division

RTA Division provides personnel services to RTA. Information related to personnel services is as follows:

- (i) Personnel services provided \$281.558 million
- (ii) Receivable due from the RTA \$335.945 million

The receivable is unsecured and the consideration to be provided on settlement will be equal to the total payables and provisions of the Division. No provision for doubtful debts relating to the receivable has been raised nor has an expense been recognised during the period in respect of bad or doubtful debts due from the RTA.

## 6. AFTER BALANCE SHEET DATE EVENT

There are no significant after balance sheet date events.

## End of audited financial statements.