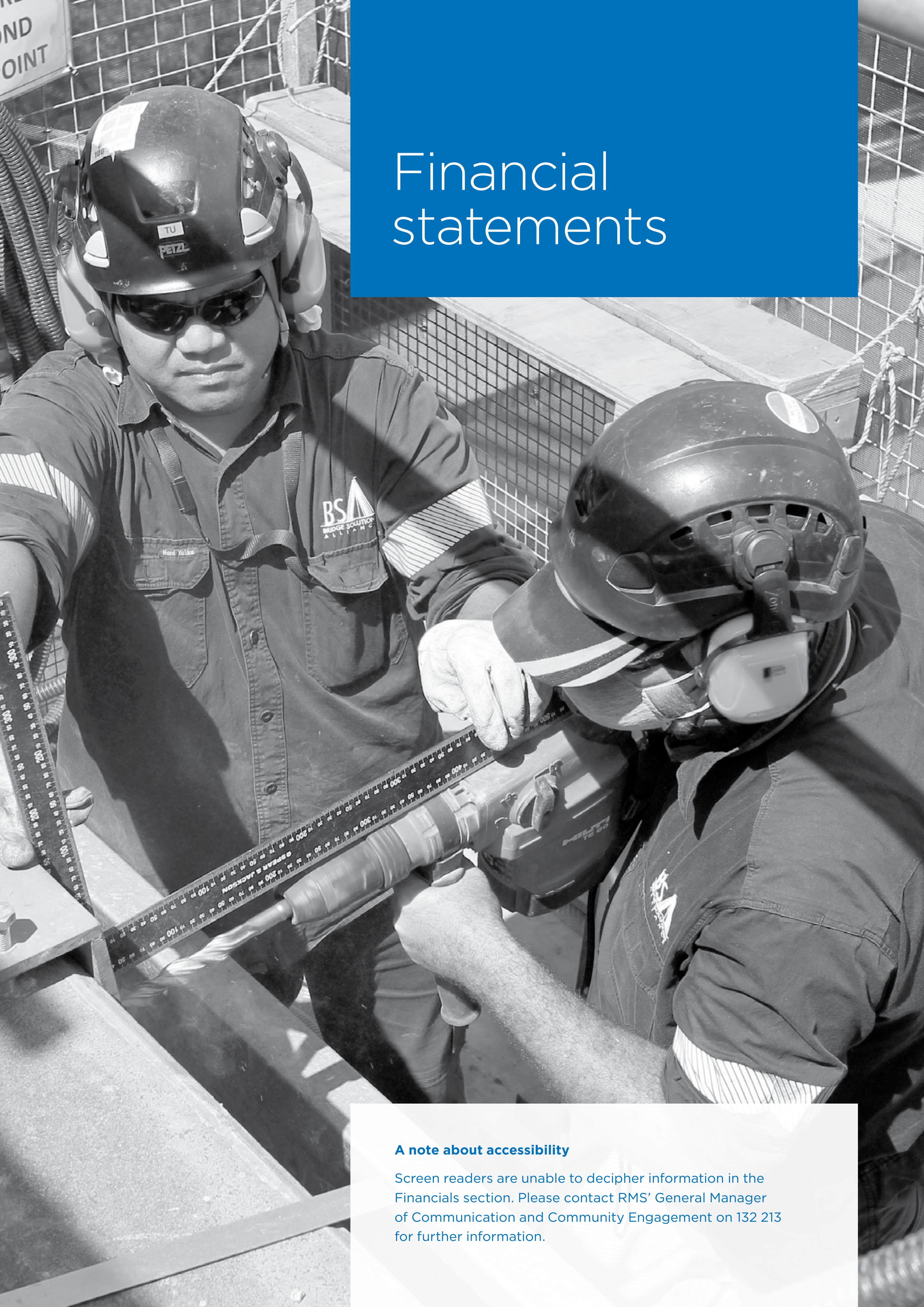

Financial statements

A note about accessibility

Screen readers are unable to decipher information in the Financials section. Please contact RMS' General Manager of Communication and Community Engagement on 132 213 for further information.

Contents

Independent audit report (page 1)

AUDITOR-GENERAL

NEW SOUTH WALES

INDEPENDENT AUDITOR'S REPORT

Roads and Maritime Services

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of Roads and Maritime Services (the Services), which comprises the statements of financial position as at 30 June 2012, the statements of comprehensive income, the statements of changes in equity, statements of cash flows and the service group statements for the period 1 November 2011 to 30 June 2012, notes comprising a summary of significant accounting policies and other explanatory information of the Services and the consolidated entity. The consolidated entity comprises of the Services and the entities it controlled at the period's end or from time to time during the reporting period.

Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Services and the consolidated entity as at 30 June 2012 and of their financial performance and their cash flows for the period 1 November 2011 to 30 June 2012 in accordance with Australian Accounting Standards
- are in accordance with section 41B of *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010

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

The Chief Executive's responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Services' preparation of the financial statements that give a true and fair view 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 controls. 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 statements.

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

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Independent audit report (page 2)

My opinion does *not* provide assurance:

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

Independence

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

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

Peter Achterstraat
Auditor-General

27 September 2012
SYDNEY

Chief Executive statement

ROADS AND MARITIME SERVICES

FOR THE PERIOD 1 NOVEMBER 2011 TO 30 JUNE 2012

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 and notes thereto exhibit a true and fair view of Roads and Maritime Services financial position as at 30 June 2012 and financial performance for the period 1 November 2011 to 30 June 2012.

2. The statements have been prepared in accordance with the provisions of applicable Accounting Standards (which include Australian Accounting Interpretations), the Public Finance and Audit Act 1983, the Public Finance and Audit Regulation 2010, 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.

Peter Duncan
Chief Executive
26 September 2012

Paul Hesford
Director, Corporate
26 September 2012

Financial statements

Statement of comprehensive income for the period 1 November 2011 to 30 June 2012

	Notes	Consolidated Actual June 2012 $'000	Parent Actual June 2012 $'000
Expenses excluding losses			
Operating expenses			
– Employee related expenses	2(a)	443,759	–
– Personnel service expenses	2(a)	–	812,413
– Other operating expenses	2(b)	342,807	342,807
Maintenance	2(b)	524,912	524,912
Depreciation and amortisation	2(c)	618,077	618,077
Grants and subsidies	2(d)	330,992	330,992
Finance costs	2(e)	61,639	61,639
Total expenses excluding losses		**2,322,186**	**2,690,840**
Revenue			
Sale of goods and services	3(a)	351,596	351,596
Personnel services revenue	3(a)	71,067	71,067
Investment revenue	3(b)	30,027	30,027
Retained taxes, fees and fines	3(c)	8,012	8,012
Operating grant received from Transport for NSW (TfNSW)	3(d)	1,236,098	1,236,098
Capital grant received from TfNSW	3(d)	1,826,407	1,826,407
Other grants and contributions	3(e)	28,147	28,147
Other revenue	3(f)	145,489	145,489
Total revenue		**3,696,843**	**3,696,843**
Losses on disposal of property, plant and equipment	4(a)	(8,856)	(8,856)
Other losses	4(b)	(289,051)	(289,051)
Net result		**1,076,750**	**708,096**
Other comprehensive income			
Net increase in asset revaluation reserve		2,028,547	2,028,547
Superannuation actuarial (loss)		(368,654)	–
Total other comprehensive income for the period		**1,659,893**	**2,028,547**
Total comprehensive income		**2,736,643**	**2,736,643**

The accompanying notes form part of these financial statements.

Statement of financial position
as at 30 June 2012

	Notes	Consolidated Actual June 2012 $'000	Parent Actual June 2012 $'000
Assets			
Current assets			
Cash and cash equivalents	7	356,672	356,672
Receivables	8(a)	332,890	332,890
Inventories		11,806	11,806
Financial assets at fair value	8(d)	48,106	48,106
		749,474	**749,474**
Non-current assets classified as Held for Sale	11	22,525	22,525
Total current assets		**771,999**	**771,999**
Non-current assets			
Receivables	8(b)	6,167	6,167
Other financial assets (at amortised cost)	8(c)	144,342	144,342
Property, plant and equipment			
– Land and buildings	9(a)	2,741,395	2,741,395
– Plant and equipment	9(b)	141,082	141,082
– Infrastructure systems	9(c)	61,481,788	61,481,788
Total property, plant and equipment		64,364,265	64,364,265
Private sector provided infrastructure	10(a)	818,656	818,656
Intangible assets	10(b)	136,448	136,448
Investment property	10(c)	129,466	129,466
Total non-current assets		**65,599,344**	**65,599,344**
Total assets		**66,371,343**	**66,371,343**
Liabilities			
Current liabilities			
Payables	13	901,213	2,431,985
Borrowings	14	70,737	70,737
Provisions	16	330,365	5,356
Other	17	180,156	180,156
Total current liabilities		**1,482,471**	**2,688,234**
Non-current liabilities			
Borrowings	14	1,043,163	1,043,163
Provisions	16	1,216,203	10,440
Other	17	553,337	553,337
Total non-current liabilities		**2,812,703**	**1,606,940**
Total liabilities		**4,295,174**	**4,295,174**
Net assets		**62,076,169**	**62,076,169**
Equity			
Reserves		2,028,547	2,028,547
Accumulated funds		60,047,622	60,047,622
Total equity		**62,076,169**	**62,076,169**

The accompanying notes form part of these financial statements.

Statement of changes in equity
for the period 1 November 2011 to 30 June 2012

	Accumulated funds		Asset revaluation reserve		Total equity	
	Consolidated	Parent	Consolidated	Parent	Consolidated	Parent
	June 2012 $'000	June 2012 $'000	June 2012 $'000	June 2012 $'000	June 2012 $'000	June 2012 $'000
Balance at 1 November 2011	–	–	–	–	–	–
Net result for the period	**1,076,750**	**708,096**	–	–	**1,076,750**	**708,096**
Other comprehensive income						
Net increase in asset revaluation reserves	–	–	2,028,547	2,028,547	2,028,547	2,028,547
Superannuation actuarial (losses)	(368,654)	–	–	–	(368,654)	–
Other comprehensive income for the period	**(368,654)**	–	**2,028,547**	**2,028,547**	**1,659,893**	**2,028,547**
Total comprehensive income for the period	**708,096**	**708,096**	**2,028,547**	**2,028,547**	**2,736,643**	**2,736,643**
Transfers within equity						
Asset revaluation reserve balance transferred to accumulated funds on disposal of assets	–	–	–	–	–	–
Transactions with owners in their capacity as owners						
Increase/(decrease) in net assets from equity transfers	59,339,526	59,339,526	–	–	59,339,526	59,339,526
Balance as at 30 June 2012	**60,047,622**	**60,047,622**	**2,028,547**	**2,028,547**	**62,076,169**	**62,076,169**

The accompanying notes form part of these financial statements.

Statement of cash flows
for the period 1 November 2011 to 30 June 2012

	Notes	Consolidated Actual June 2012 $'000	Parent Actual June 2012 $'000
Cash flows from operating activities			
Payments			
Employee related		(416,204)	(416,204)
Grants and subsidies		(244,917)	(244,917)
Finance costs		(59,747)	(59,747)
Other		(964,156)	(964,156)
Total payments		**(1,685,024)**	**(1,685,024)**
Receipts			
Sale of goods and services		408,722	408,722
Interest received		16,552	16,552
Operating grants received from TfNSW		1,230,843	1,230,843
Capital grants received from TfNSW		1,826,407	1,826,407
Other grants and contributions		28,147	28,147
Other		217,050	217,050
Total receipts		**3,727,721**	**3,727,721**
Net cash flows from operating activities	**25**	**2,042,697**	**2,042,697**
Cash flows from investing activities			
Proceeds from sale of land and buildings, plant and equipment and infrastructure systems		17,338	17,338
Purchases of land and buildings, plant and equipment and infrastructure systems		(1,837,659)	(1,837,659)
Receipt of lease revenue from maritime trade tower lease		8,731	8,731
Net cash flows used in investing activities		**(1,811,590)**	**(1,811,590)**
Cash flows from financing activities			
Contribution paid to government		(2,000)	(2,000)
Payment of finance lease liabilities		(46,550)	(46,550)
Repayment of borrowings and advances		(79,839)	(79,839)
Net cash flows used in financing activities		**(128,389)**	**(128,389)**
Net increase in cash		102,718	102,718
Opening cash and cash equivalents		–	–
Cash transferred in as a result of administrative restructuring	19	302,060	302,060
Closing cash and cash equivalents	**7**	**404,778**	**404,778**

The accompanying notes form part of these financial statements.

Service group statements
for the period 1 November 2011 to 30 June 2012

RMS expenses and income	Transport infrastructure and development*	Integrated transport service delivery*	Integrated transport planning and management*	Not attributable	Total
	June 2012 $'000	June 2012 $'000	June 2012 $'000	June 2012 $'000	June 2012 $'000
Expenses excluding losses					
Operating expenses					
– Employee related expenses	5,841	194,272	243,646	–	443,759
– Other operating expenses	4,512	150,076	188,219	–	342,807
Maintenance	6,909	229,798	288,205	–	524,912
Depreciation and amortisation	8,135	270,585	339,357	–	618,077
Grants and subsidies	4,356	144,904	181,732	–	330,992
Finance costs	811	26,984	33,844	–	61,639
Total expenses excluding losses	**30,564**	**1,016,619**	**1,275,003**	**–**	**2,322,186**
Revenue					
Sale of goods and services	144,004	175,559	32,033	–	351,596
Personal services revenue	935	31,112	39,020	–	71,067
Investment revenue	12,298	14,993	2,736	–	30,027
Retained taxes, fees and fines	3,281	4,001	730	–	8,012
Operating grant received from TfNSW	9,012	1,146,888	80,198	–	1,236,098
Capital grant received from TfNSW	1,426,472	374,994	24,941	–	1,826,407
Other grants and contributions	11,528	14,055	2,564	–	28,147
Other revenue	59,588	72,645	13,256	–	145,489
Total revenue	**1,667,118**	**1,834,247**	**195,478**	**–**	**3,696,843**
Gains on disposal of property, plant and equipment	(3,627)	(4,422)	(807)	–	(8,856)
Other (losses)	(118,387)	(144,330)	(26,334)	–	(289,051)
Net result	**1,514,540**	**668,876**	**(1,106,666)**	**–**	**1,076,750**
Other comprehensive income					
Net increase/(decrease) in asset revaluation reserve	59,127	1,956,452	12,968	–	2,028,547
Superannuation actuarial gains/(losses)	(4,852)	(161,391)	(202,411)	–	(368,654)
Total other comprehensive income for the period	**54,275**	**1,795,061**	**(189,443)**	**–**	**1,659,893**
Total comprehensive income	**1,568,815**	**2,463,937**	**(1,296,109)**	**–**	**2,736,643**

* Refer to Note 6 for description of service group.

Administered expenses and income	Transport infrastructure and development	Integrated transport service delivery	Integrated transport planning and management	Not attributable	Total
	June 2012 $'000	June 2012 $'000	June 2012 $'000	June 2012 $'000	June 2012 $'000
Administered expenses					
Transfer payments	–	–	–	–	–
Other	–	–	–	–	–
Total administered expenses	**–**	**–**	**–**	**–**	**–**
Administered income					
Transfer receipts	–	–	–	1,812,445	1,812,445
Total administered income	**–**	**–**	**–**	**1,812,445**	**1,812,445**
Administered income less expenses	**–**	**–**	**–**	**1,812,445**	**1,812,445**

The accompanying notes form part of these financial statements.

RMS assets and liabilities	Transport infrastructure and development	Integrated transport service delivery	Integrated transport planning and management	Not attributable	Total
	June 2012 $'000	June 2012 $'000	June 2012 $'000	June 2012 $'000	June 2012 $'000
Current assets					
Cash and cash equivalents	–	89,168	267,504	–	356,672
Receivables	22,072	250,413	60,405	–	332,890
Inventories	–	11,216	590	–	11,806
Financial assets at fair value	–	48,064	42	–	48,106
Non-current assets classified as held for sale	–	22,525	–	–	22,525
Total current assets	**22,072**	**421,386**	**328,541**	**–**	**771,999**
Non-current assets					
Receivables	409	4,639	1,119	–	6,167
Other financial assets	–	144,342	–	–	144,342
Property, plant and equipment					
– Land and buildings	–	2,446,602	294,793	–	2,741,395
– Plant and equipment	–	37,340	103,742	–	141,082
– Infrastructure systems	1,873,979	59,585,511	22,298	–	61,481,788
Private sector provided infrastructure	–	818,656	–	–	818,656
Intangible assets	–	136,448	–	–	136,448
Investment property	–	129,466	–	–	129,466
Total non-current assets	**1,874,388**	**63,303,004**	**421,952**	**–**	**65,599,344**
Total assets	**1,896,460**	**63,724,390**	**750,493**	**–**	**66,371,343**
Liabilities					
Current liabilities					
Payables	552,194	210,337	138,683	–	901,213
Borrowings	43,342	16,509	10,885	–	70,737
Provisions	202,423	77,104	50,838	–	330,365
Other	110,386	42,047	27,723	–	180,156
Total current liabilities	**908,345**	**345,997**	**228,129**	**–**	**1,482,471**
Non-current liabilities					
Borrowings	639,172	243,465	160,526	–	1,043,163
Provisions	745,198	283,852	187,153	–	1,216,203
Other	339,043	129,144	85,150	–	553,337
Total non-current liabilities	**1,723,413**	**656,461**	**432,829**	**–**	**2,812,703**
Total liabilities	**2,631,758**	**1,002,458**	**660,958**	**–**	**4,295,174**
Net assets	**(735,298)**	**62,721,932**	**89,535**	**–**	**62,076,169**

The accompanying notes form part of these financial statements.

Notes to and forming part of the financial statements of RMS for the period 1 November 2011 to 30 June 2012

1. Summary of significant accounting policies

a. Reporting entity

The *Transport Legislation Amendment Act 2011* was proclaimed on 1 November 2011. As a result of that Act the Roads and Traffic Authority (the RTA) and NSW Maritime, together with their associated entities, were abolished on 31 October 2011 with all assets and liabilities as at that date transferring to new entities created under the Act. Those new entities are Roads and Maritime Services (RMS) and Roads and Maritime Services Division (RMS Division).

RMS is a NSW government entity. RMS is a not for profit entity (as profit is not its principal objective) and it has no cash generating units. The reporting entity is consolidated as part of the NSW Total State Sector Accounts.

RMS as a reporting entity, comprises all the entities under its control, namely RMS Division which provides personnel services to RMS.

In the process of preparing the consolidated financial statements for the economic entity, consisting of the controlling and controlled entities, all inter-entity transactions and balances have been eliminated.

These consolidated financial statements for the period 1 November 2011 to 30 June 2012 have been authorised for issue by the Chief Executive of RMS on the date that the accompanying statement under s.41C(1C) of the *Public Finance and Audit Act 1983* was signed.

b. Basis of preparation

RMS' consolidated financial statements are general purpose financial statements which have been prepared in accordance with:

- Applicable Australian Accounting Standards (including Australian Accounting Interpretations).
- The requirements of the *Public Finance and Audit Act 1983*.
- The Financial Reporting Directions published in the Financial Reporting Code for NSW General Government Sector Entities or issued by the Treasurer.

In the event of any inconsistency between accounting standards and legislative requirements, the latter prevails.

Despite current liabilities exceeding current assets at period end, the operation and ability of RMS to pay its debts are assured due to its funding arrangements with Transport for NSW (TfNSW). TfNSW provides funding in the form of grants. The 2011–12 TfNSW budget papers include an amount payable for Grants and Contributions of $4,220.213 million payable to RMS in the 2012–13 financial year.

Property, plant and equipment, and investment property assets (or disposal groups) held for sale and financial assets at 'fair value through profit or loss' and available for sale are measured at fair value. Other financial statement items 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 made by management about carrying values of assets and liabilities are disclosed in the relevant notes to the financial statements. Refer to note 1(z) for a summary of critical accounting estimates, judgements and assumptions determined when preparing the financial statements.

Unless otherwise stated, all amounts are rounded to the nearest one thousand dollars ($'000) and are expressed in Australian currency.

The accounting policies set out have been applied consistently by the consolidated and parent entities.

c. Principles of consolidation

These financial statements have been consolidated in accordance with Australian Accounting Standard AASB 127 *Consolidated and Separate Financial Statements* and include the assets, liabilities, equities, revenues and expenses of all entities controlled by RMS.

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

In the process of preparing the consolidated financial statements for the economic entity consisting of the controlling and controlled entities, all inter-entity transactions and balances have been eliminated.

d. New and revised Australian Accounting Standards and Interpretations

Australian Accounting Standards and Interpretations that have recently been issued or amended, but are not yet effective, have not been adopted for the financial reporting period ended 30 June 2012. Management's assessment of the impact of these new standards and interpretations is set out below:

Standard	Summary of key requirements/changes	Applicable to annual reporting periods beginning on or after	Impact on Reporting Entity's financial statements
AASB 9 *Financial Instruments* and AASB 2010–7 *Amendments to Australian Accounting Standards arising from AASB 9*	AASB 9 introduces new requirements for the classification, measurement and derecognition of financial assets and financial liabilities. It was further amended by AASB 2010–7 to reflect amendments to accounting for financial liabilities. Financial assets and financial liabilities can be designated and measured at fair value. The existing four category approach to measurement after initial recognition will be reduced to two categories – either amortised cost or fair value.	The IASB has deferred the effective date of this standard to 1 January 2015. It is expected that AASB will also make a similar amendment.	On initial application of AASB 9, all existing financial instruments will need to be classified according to the AASB 9 criteria and transitional requirements. The impact on the reporting entity's accounting for financial assets and liabilities is not expected to be significant.
AASB 10 *Consolidated Financial Statements*	AASB 10 supersedes AASB 127. It introduces a new principles-based control model that focuses on both power and rights or exposure to variable returns. The Standard requires the parent entity to present consolidated financial statements as those of a single economic entity, replacing the requirements of AASB 127 *Consolidated and Separate Financial Statements*.	1 July 2013	The new definition of control is not expected to impact on the reporting entity. The concept of "single economic entity" may impact on the format of the consolidated financial statements unless modifications are made for public sector entities.
AASB 11 *Joint Arrangements*	Under AASB 11, the focus is no longer on the legal structure of joint arrangements (which determined the accounting) but rather on how rights and obligations are shared by the joint venture parties (the underlying economics). A joint venture will be classified as either a joint operation or joint venture. The Standard also replaces and alters the existing method of accounting for joint ventures under AASB 131 *Interests in Joint Ventures*.	1 July 2013	The impact on the reporting entity's financial statements is expected to be insignificant due to the absence of material joint arrangements.

Standard	Summary of key requirements/changes	Applicable to annual reporting periods beginning on or after	Impact on Reporting Entity's financial statements
AASB 12 *Disclosure of Interests in other Entities*	AASB 12 focuses on disclosures that would help users better assess the nature and financial effects of an entity's involvement with other entities and particularly enhances disclosures about consolidated entities and unconsolidated (off balance sheet) structured entities. The Standard sets out the required disclosures for entities reporting under AASB 10 and AASB 11 and replaces the disclosure requirements of AASB 128 *Investment in Associates.*	1 January 2013	Application of the standard will not affect any of the amounts recognised in the consolidated financial statements. However, it may impact on the type of information disclosed. The AASB may modify the standard "for application by not-for-profit entities".
AASB 13 *Fair Value Measurement* and AASB 2011–8.	The Standard defines fair value, establishes a single framework or guidance for the measuring of fair value, and requires enhanced disclosures about fair value measurements. AASB 13 applies when another standard requires or permits fair value measurements or disclosures. The Standard establishes a three tier "fair value hierarchy".	1 January 2013	The reporting entity's major assets – property, plant and equipment, and investment properties, are recognised at fair value. It is not possible at this stage to determine the impact if any of the new rules on any of the amounts recognised in the consolidated financial statements.
AASB 119 *Employee Benefits* AASB 2011–10 and AASB 2011–11	This Standard will mainly impact the accounting for defined benefit pension schemes. The corridor approach for the recognition of actuarial gains and losses has been removed, as has the option to recognise actuarial gains and losses in profit or loss. The impact of this is that all actuarial gains and losses will be recognised in other comprehensive income in the period in which they arise. In addition, the calculation of net interest cost has changed. There will no longer be separate calculations of the expected return on plan assets and the interest cost of funding the defined benefit obligation. Instead, a single rate is applied to the net of the defined benefit obligation and plan assets.	1 January 2013 with retrospective implementation as per AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.	The requirements for measurement of employer liabilities and assets arising from defined benefit plans, and the measurement and presentation of changes in such liabilities and assets, are substantially different under the revised AASB 119. It is not possible at this stage to determine the impact of this new Standard on the consolidated financial statements.
AASB 127 *Separate Financial Statements*	AASB 127 *Consolidated and Separate Financial Statements* has been renamed *Separate Financial Statements*. The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements (in addition to consolidated financial statements). The Standard requires that when an entity prepares separate financial statements, investments in subsidiaries, associates and jointly controlled entities are accounted for either at cost or in accordance with AASB 9 *Financial Instruments*. The Standard also deals with the recognition of dividends, certain group reorganisations and includes a number of disclosure requirements.	1 July 2013	The AASB may modify the application of this standard to the not-for-profit entities. As such it is not practical to assess the impact of its application on the reporting entity's consolidated financial statements.

Standard	Summary of key requirements/changes	Applicable to annual reporting periods beginning on or after	Impact on Reporting Entity's financial statements
AASB 128 *Investments in Associates and Joint ventures*	This Standard supersedes AASB 128 *Investments in Associates* and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The Standard defines "significant influence" and provides guidance on how the equity method of accounting is to be applied. It also prescribes how investments in associates and joint ventures should be tested for impairment.	1 July 2013	The impact on the reporting entity's financial statements is expected to be insignificant.
AASB 1053 and AASB 2010–2 *regarding differential reporting*	AASB 1053 establishes a two tier differential reporting framework for those entities that prepare general purpose financial statements: Tier 1 or full compliance with AASB and Tier 2 or Reduced Disclosure Requirements. Tier 2, therefore requires fewer disclosures than Tier 1.	1 July 2013	This Standard will not impact on the reporting entity's financial statements which will continue to be prepared in accordance with Financial Reporting Code for NSW General Government Sector Entities (Tier 1).
AASB 2010–8 regarding *deferred tax*	The amendments in AASB 2010–8 relate to the measurement of deferred tax assets and deferred tax liabilities that arise from investment property being measured at fair value.	1 July 2013	No impact on the reporting entity's financial statements as the controlled entity that owns investment properties is not subject to tax regime.
AASB 2010–10 regarding *removal of fixed dates for first time adopters*	AASB 2010–10 amendments affect AASB 1 *First Time Adoption of Australian Accounting Standards* and provide relief for first-time adopters of Australian Accounting Standards from having to reconstruct transactions that occurred before their transition to Australian Accounting Standards.	1 July 2013	The Standard has no impact on the reporting entity's consolidated financial statements as the group entities made the transition to AEIFRS in 2005–06.
AASB 2011–3 Amendments to Australian Accounting Standards – Orderly Adoption of Changes to the ABS GFS Manual and Related Amendments (AASB 1049 and AASB 2011–13)	AASB 1049 is part of the Australian Accounting Standards Board's (AASB) work to achieve the Financial Reporting Council's strategic direction to harmonise the Government Finance Statistics (GFS) and Generally Accepted Accounting Principles (GAAP) reporting by an Australian Accounting Standard for a single set of government reports that are comparable with budget statements. The reporting of the GFS is in accordance with the Australian Bureau of Statistics GFS Manual. AASB 2011–13 amends some of the requirements in AASB 1049 *Whole of Government and General Government Sector Financial Reporting* to improve that standard at an operational level.	1 July 2013	The impact on the reporting entity's financial statements is expected to be insignificant.
AASB 2011–4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements*	Amends AASB 124 Related Party Disclosures to remove the individual key management personnel (KMP) disclosures required by Australian specific paragraphs. Such disclosures are more in the nature of governance disclosures that are better dealt with as part of the *Corporations Act 2001*.	1 July 2013	The impact on the reporting entity's financial statements is expected to be insignificant.

Standard	Summary of key requirements/changes	Applicable to annual reporting periods beginning on or after	Impact on Reporting Entity's financial statements
AASB 2011–9 *Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income*	AASB 2011–9 made changes to AASB 101 *Presentation of Financial Statements*. The only significant impact will be that, in the Statement of Comprehensive Income, items within the "Other Comprehensive Income" section will need to be presented in two sub-sections, based on whether they may be recycled to net result in the future. Whether or not subsequent reclassification is possible depends on the requirements or conditions in the accounting standard/interpretation that relates to the item concerned. This will not affect the measurement of any of the items.	1 July 2012	The impact on the reporting entity's financial statements is expected to be insignificant.
AASB 2011–13 *Amendments to Australian Accounting Standard – Improvements to AASB 1049*	Amends some of the requirements in AASB 1049 *Whole of Government and General Government Sector Financial Reporting* to improve that standard at an operational level.	1 July 2012	This Standard will not impact on the reporting entity's financial statements which will continue to be prepared in accordance with Financial Reporting Code for NSW General Government Sector Entities (Tier 1).
AASB 2012–1 Amendments to Australian Accounting Standards – Fair Value Measurement – Reduced Disclosure Requirements	This Standard establishes and amends reduced disclosure requirements for entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements for additional and amended disclosures arising from AASB 13 and the consequential amendments implemented through AASB 2011–8.	1 July 2013	This Standard will not impact on the reporting entity's financial statements which will continue to be prepared in accordance with Financial Reporting Code for NSW General Government Sector Entities (Tier 1).
AASB 2012–2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities	This Standard amends the required disclosures in AASB 7 to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.	1 July 2013	The impact on the reporting entity's financial statements is expected to be insignificant.
AASB 2012–3 Amendments To Australian Accounting Standards – Offsetting Financial Assets And Financial Liabilities	This Standard adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	1 July 2013	The impact on the reporting entity's financial statements is expected to be insignificant.

Standard	Summary of key requirements/changes	Applicable to annual reporting periods beginning on or after	Impact on Reporting Entity's financial statements
AASB 2012–4 Amendments to Australian Accounting Standards – Government Loans	This Standard adds an exception to the retrospective application of Australian Accounting Standards to require that first-time adopters apply the requirements in AASB 139 *Financial Instruments: Recognition and Measurement* (or AASB 9 *Financial Instruments*) and AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance* prospectively to government loans existing at the date of transition to Australian Accounting Standards.	1 July 213	The impact on the reporting entity's financial statements is expected to be insignificant.
AASB 2012–5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle	This Standard makes amendments to the Australian Accounting Standards and Interpretation listed in paragraph 1 of the Standard. These amendments are a consequence of the annual improvements process, which provides a vehicle for making non-urgent but necessary amendments to Standards. These amendments result from proposals that were included in Exposure Draft ED 213 *Improvements to IFRSs* published in July 2011 and follow the issuance of *Annual Improvements to IFRSs 2009–2011 Cycle* issued by the International Accounting Standards Board in May 2012.	1 July 2013	The Standard makes minor changes, primarily further clarifications and descriptions, to a number of other Australian Accouting Standards. The impact on the reporting entity's financial statements is expected to be minor.

RMS has also reviewed the following accounting standards and interpretations and concluded that they are not applicable to RMS consolidated financial statements:

- AASB 2010–10 Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters.
- AASB 2011–6 Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation – Reduced Disclosure Requirements.
- AASB 2011–7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards.

e. Administered activities

RMS administers, but does not control, the collection of various fees, fines and levies on behalf of the Crown Entity. Monies collected are not recognised as RMS' revenue but are separately disclosed in the Administered Income and Expenses note (refer to note 23). RMS is accountable for the transactions relating to these administered activities but does not have the discretion, for example, to deploy the resources for the achievement of its own objectives.

Transactions and balances relating to the administered activities are not recognised as RMS' income, expenses, assets and liabilities, but are disclosed as "Administered Income and Expenses" (refer to note 23), and "Administered Assets and Liabilities" (refer to note 24) in accordance with AASB 1050 *Administered Items*.

Expenses incurred in collecting monies on behalf of the Crown Entity are recognised as RMS' expenses. The accrual basis of accounting and all applicable accounting standards have been adopted for the reporting of administered income in notes 23 and 24.

f. Income recognition

Income is recognised in accordance with AASB 118 Revenue when RMS has control of the good or right to receive, it is probable that the economic benefits will flow to RMS and the amount of the income can be measured reliably. Income is measured at the fair value of the consideration or contribution received or receivable. The accounting policies for the recognition of income are discussed below:

i. Grants from Transport for NSW

RMS receives capital and operating grants from TfNSW instead of receiving budget appropriations directly from NSW Treasury. These grants are generally recognised as income when RMS obtains control over the assets comprising the grants. Control over grants is normally obtained upon the receipt of cash.

ii. Sale of goods and rendering of services

Revenue from the sale of goods is recognised when RMS transfers the significant risks and rewards of ownership of the assets. User charges are recognised as revenue when RMS 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 AASB117 *Leases* on a straight-line basis over the lease term.

iv. Investment revenue

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

v. Gains and losses

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.

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

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

The revenue recognition is on a progressive basis relative to the concession period.

vii. Amortisation of deferred revenue on PSPI Projects

Reimbursement of development costs in the form of upfront cash payments are treated as deferred revenue with an annual amortisation amount recognised on a straight-line basis 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 and wages (including non-monetary benefits), annual leave and paid sick leave that fall due wholly within 12 months of the reporting date 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 based on the amounts expected to be paid when the liabilities are settled.

Long-term annual leave that is not expected to be taken within 12 months is measured at present value in accordance with AASB 119 *Employee Benefits*. Market yields on ten year government bonds are used to discount long-term annual leave.

Sick leave accrued by employees of RMS 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 increase on salaries and wages.

ii. Long service leave and superannuation

RMS assumes the long service leave liability for all employees and all superannuation liabilities. These liabilities are recognised in the Statement of Financial Position. Long service leave is measured at present value in accordance with AASB 119 *Employee Benefits*. This is based on the application of certain factors (specified in NSWTC 11/06) to employees with five or more years of service, using current rates of pay. These factors were determined based on an actuarial review to approximate present value.

In accordance with AASB 101 *Presentation of Financial Statements*, all annual leave and unconditional long service leave are classified as current liabilities, even where the authority does not expect to settle the liability within 12 months. This does not necessarily align with the distinction between short-term and long-term employee benefits under AASB 119 *Employee Benefits*.

Defined contribution plans
Contributions to defined contribution superannuation plans are expensed when incurred. The expense is calculated as a percentage of the employee's salary.

Defined benefit plans
For defined benefit plans, actuarial valuations are carried out at each reporting date by Pillar Administration and the actuarial superannuation gains and losses are recognised outside operating surplus in the Statement of Changes in Equity in the period in which they occur.

The defined benefit position recognised in the Statement of Financial Position represents the present value of the defined benefit obligation, adjusted for unrecognised past service costs, net of the fair value of the plan assets.

Defined Benefit Plans expense is calculated as a multiple of the employee's superannuation contributions.

iii. Other provisions

Other provisions exist when, RMS 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.

Any provisions for restructuring are recognised only when the organisation has a detailed formal plan and has raised a valid expectation in those affected by the restructuring that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected. If the effect of the time value of money is material, provisions are discounted at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability.

Make good provision
A provision has been made for the present value of anticipated costs of future environmental restoration. The provision includes future cost estimates associated with remediation of the maritime environment. The calculation of this provision requires assumptions such as application of environmental legislation, community expectations, available technologies and engineering cost estimates. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision recognised is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs are recognised in the statement of financial position by adjusting both the expense and/or asset (if applicable) and provision.

iv. Personnel services and shared services expense

Personal Services Income represents the provision of RMS staff to TfNSW to undertake work on behalf of Transport Shared Services.

Shared Service Expenses represent services provided by TfNSW Shared Services to other government agencies, including RMS.

h. Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred, in accordance with Treasury's Mandate to not-for-profit general government sector agencies.

i. Insurance

RMS' insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self insurance for government agencies. The expense (premium) is determined by the Fund Manager based on past claims experience. Compulsory third party insurance is with a private sector provider arranged by NSW Treasury.

RMS also arranges Principal Arranged Insurance (PAI) which provides cover for all parties involved in its construction projects. The premium cost is amortised on a straight-line basis over the term of the contract for all insurance policies.

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

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

- The amount of GST incurred by RMS 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.
- Cash flows are included in the Statement of Cash Flows on a gross basis. However, the GST components of cash flows arising from investing and financing activities which is recoverable from, or payable to, the ATO are classified as operating cash flows.

k. Asset management policy

Acquisition of assets

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by RMS. Cost is the amount of cash or cash equivalents paid or 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 requirements of other Australian Accounting Standards.

The cost of assets constructed for own use includes the cost of materials, direct labour 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.

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

Where payment for property, plant and equipment is deferred beyond normal credit terms, the difference between its cash price equivalent and the total payment is measured as interest over the period of credit. The discount rate used to calculate the cash price equivalent is an asset specific rate.

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

Capitalisation thresholds

Property, plant and equipment and intangible assets costing above $10,000 individually, or forming part of a network costing more than $10,000, are capitalised. Some computer equipment and intangible assets costing above $1,000 are capitalised. Items below these amounts are expensed in the period in which they are incurred.

Valuation and depreciation

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 a fair value approach 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 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.

RMS revalues each class of property, plant and equipment with sufficient regularity to ensure the carrying amount of each asset in the class does not differ materially from its fair value at reporting date. Further details on asset revaluations can be found in note 9.

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 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, the increment is recognised immediately as revenue.

Revaluation decrements are recognised immediately as expenses, 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.

Impairment of property, plant and equipment

As a not-for-profit entity with no cash generating units, RMS 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.

i. Plant and equipment

Asset	Valuation policy	Depreciation policy
Plant, equipment and vehicles	Depreciated historical cost	Depreciated on the straight-line method over the estimated useful life between 2 and 60 years.
Computer hardware	Depreciated historical cost	Depreciated on the straight-line method over the estimated useful life between 2 and 5 years.
Electronic office equipment	Depreciated historical cost	Depreciated on the straight-line method over the estimated useful life between 5 and 10 years.
Navigational aids	Depreciated historical cost	Depreciated on the straight-line method over the estimated useful life between 5 and 20 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 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.

ii. 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 depreciated replacement cost (buildings). Where such properties are rented externally they are valued at current market value. Land and buildings in service are revalued at least every three years.	Buildings – Depreciated on the straight-line basis over the estimated useful life of between 20 and 50 years.
Land and Buildings Acquired for Future Roadworks (LAFFRW)	**Untenanted land for future roadworks** – 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. **Rentable or surplus properties** – Revalued progressively over a three year cycle. The valuation is carried out by a registered valuer.	No depreciation is charged as buildings are not purchased to generate revenue but ultimately to be demolished for roadworks.
Vacant land	The average rateable value per hectare of urban and rural areas within each LGA. The distinction between urban and rural areas was determined by reference to the general land classification profile within each LGA.	No depreciation is charged on vacant land.
Leasehold improvements	Depreciated historic cost/revalued amount.	Amortised over the period of the lease, or the useful life of the leasehold improvement, whichever is shorter.

Individual LAFFRW parcels required for road construction are transferred to land under roads WIP when road construction begins. The date of transfer is the construction start date as detailed in the construction contract. At time of transfer, LAFFRW parcels are deemed to have no feasible alternative use and are revalued downwards to value in use (englobo value).

Included in the value of land and buildings in service is an amount of $16.385 million for buildings on Crown land. As RMS effectively "controls" this Crown land, it has been included in RMS' Statement of Financial Position. Should such Crown land be transferred or disposed of, associated buildings are written off in the financial year the transfer or disposal takes place.

RMS' 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 five 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. For details refer to note 9(a).

iii. Infrastructure systems

Asset	Valuation policy	Depreciation policy
Roads		
Earthworks	Depreciated replacement cost	Indefinite life with the exception of road segments subject to: • Slope instability (25–50 years) • Mine subsidence (100 years) • Unsealed pavement surface (100 years)
Pavement	Depreciated 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)
Corridor assets	Depreciated replacement cost	Depreciated over estimated useful life of 100 years.
Bridges		
Timber structure Concrete structures Steel structures X Trusses (timber and steel) Heritage bridges Bridge size culverts/tunnels	Depreciated replacement cost	Depreciated over estimated useful life dependant on bridge type: • 60 years • 100 years • 100 years • 60 years • 200 years • 100 years
Traffic signals	Depreciated replacement cost	Depreciated over estimated useful life of 20 years.
Traffic Control Network		
Traffic systems Transport Management Centre Variable message signs	Depreciated replacement cost	Depreciated over estimated useful life of: • 5–20 years • 5–20 years • 30 years
Land under roads and within road reserves	The urban Average Rateable Value per hectare within each Local Government Area (LGA) adjusted by an "open spaces ratio". The "open spaces ratio" is derived from open spaces data provided by the Valuer-General and is used to adjust average rateable value to approximate englobo value (unimproved and pre-subdivision land).	No depreciation applied as land does not have a limited useful life.
Sydney Harbour Tunnel		
Immersed tube mechanical and electrical pavement earthworks	Depreciated replacement cost	Depreciated over estimated useful life depending on asset type: • 100 years • 20 years • 20 years Indefinite life.
Wharves and jetties	Depreciated replacement cost	Depreciated over estimated useful life of between 20 and 40 years.
Moorings and wetlands	Capitalised revenues	Depreciated over estimated useful life of between nil and 20 years.
Dredging assets	Depreciated replacement cost	Independent valuation.
Seawall	Depreciated replacement cost	Depreciated over estimated useful life of between 25 and 40 years.

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 RMS.

These 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 Road Cost Index as applicable.

Land under roads and within road reserves are revalued annually by applying the most recent urban rateable average value per hectare provided by the Valuer-General to the land under roads and within reserves within each Local Government Area (LGA), and adjusting this value by the "open spaces ratio". The valuations are based on certain assumptions including property being vacant and therefore do not take into account costs that may be incurred in removing roads and other improvements. The Valuer-General's urban average rateable values are calculated by reference to land values only and do not include the value of any improvements.

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

iv. Intangible assets

RMS recognises intangible assets only if it is probable that future economic benefits will flow to RMS and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. Where an intangible 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.
- 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 finite and are carried at cost less any accumulated amortisation.

Intangible assets are tested for impairment where an indicator of impairment exists. If the recoverable amount is less than its carrying amount, the carrying amount is reduced to recoverable amount and the reduction is recognised as an impairment loss.

v. Private sector provided infrastructure (PSPI)

In respect of certain private sector provided infrastructure assets: M2 Motorway, M4 Service Centre, M5 Motorway, the Eastern Distributor, the Cross City Tunnel, the Westlink M7 Motorway and the Lane Cove Tunnel, RMS values each right to receive asset by reference to RMS' 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 equa1 annual receipts together with an amount representing notional compound interest.

vi. Cultural collection assets

RMS has minor cultural collection items such as prints, drawings and artefacts that cannot be reliably valued and are considered immaterial.

Asset	Valuation policy	Depreciation policy
Intangible assets	Depreciated historical cost	Amortised using the straight-line method over the estimated useful life of between 2 and 10 years.

vii. 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 the lower of its fair value and the present value of minimum lease payments at the commencement of the lease term. The corresponding liability is established at the same amount. Lease payments are allocated between the principal component and the interest expense. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that class of asset.

Operating lease payments are charged to the Statement of Comprehensive Income in the periods in which they are incurred.

As Lessor:
The reporting entity as the lessor classifies its long-term leases (typically where the initial lease term exceeds 50 years) as finance leases if it transfers to the lessee substantially all the risks and rewards incidental to ownership of the land. The leased assets are recognised as current and non-current receivables at amounts equal to the net investment in the leases.

The lease receipt is recognised in two components, one as a reduction of the lease receivables and the other as finance income. The finance income is calculated relevant to the term of the lease.

viii. Investment property
Initially, investment properties are measured at cost including transaction costs. Subsequent to initial recognition, investment properties are revalued annually and stated at fair value, which is based on active market prices, adjusted if necessary for any difference in the nature, location or condition of the specific asset at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the statement of comprehensive income in the year in which they arise.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the derecognition of an investment property are recognised in the statement of comprehensive income in the year of derecognition.

Transfers are made to and from investment property when, and only when, there is a change in use. Where properties are transferred from investment property, the deemed cost for subsequent accounting is its fair value at the date of change in use. Where properties are transferred to investment property, such properties are accounted for in accordance with the policy stated under note 1(k)(ii) up to the date of the change in use.

ix. Investments
The reporting entity subsequently measures investments classified as “held for trading” or designated upon initial recognition “at fair value through profit or loss” at fair value. Financial assets are classified as “held for trading” if they are acquired for the purpose of selling in the near term. The NSW Treasury Corporation (TCorp) Hour-Glass Investment Facilities are designated at fair value through profit and loss using the second leg of the fair value option, ie these financial assets are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy, and information about these assets is provided internally on that basis to the key management personnel.

The movement in the fair value of the NSW TCorp Hour-Glass Investment Facilities incorporates distributions received as well as unrealised movements in fair value and is reported in the line item investment revenue

x. Port Corporation dredging
As RMS is the owner of the seabed of the major NSW ports, costs incurred by Port Corporations in NSW in capital dredging (harbour deepening) of channels are recorded as an RMS asset. A corresponding amount is recorded as "Long-term channel fees unearned income" and amortised over a period of 99 years.

l. 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.

m. 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.

n. Maintenance

Day-to-day servicing costs 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.

o. Inventories

Inventories are initially measured at cost. Cost is calculated using either 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.

Inventories (other than those held for distribution) are stated at the lower of cost and net realisable value.

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.

p. Capitalisation of expenditure

Expenditure (including employee costs and operational asset depreciation) in respect of road development and construction, bridge and tunnel replacement and some road safety and traffic management are capitalised as infrastructure systems (refer to note 2(a)).

q. Non-current assets held for sale

RMS has certain non-current assets classified as held for sale, where their carrying amount will be recovered principally through a sale transaction rather than 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. Refer to note 11 for details.

r. Other assets

Other assets including prepayments are recognised on a cost basis.

s. Financial instruments

The following accounting policies were applied to accounting for financial instruments. Additional disclosures regarding carrying amount and risk management disclosures are presented in note 15.

a. Financial assets

i. Cash and cash equivalents
Cash and cash equivalents in the Statement of Financial Position comprise cash on hand, cash at bank and short-term deposits and include deposits in the NSW TCorp Hour-Glass cash facility, Treasury Corporation deposits (with maturities of less than 30 days) and other at-call deposits that are not quoted in an active market. These are considered to have an insignificant risk of changes in value. Bank overdrafts are included within liabilities.

In accordance with AASB139 *Financial Instruments: Recognition and Measurement*, cash and cash equivalents are measured at fair value with interest revenue accrued as earned such that fair value is reflected at no less than the amount payable on demand.

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

ii. Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets 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 measured at amortised cost, using the effective interest method (refer note 8(c)).

iv. Impairment of financial assets

All financial assets, except those measured at fair value through profit and loss, are subject to an annual review for impairment. An allowance for impairment is established when there is objective evidence that the entity will not be able to collect all amounts due.

For financial assets carried at amortised cost, 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. The amount of the impairment loss is recognised in the Statement of Comprehensive Income.

Any reversals of impairment losses are reversed through the Statement of Comprehensive Income, where there is objective evidence. Reversals of impairment losses of financial assets carried at amortised cost cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

v. Derecognition of financial assets

A financial asset is derecognised in the following circumstances:

- When the contractual rights to the cash flows from the financial assets expire; or if RMS transfers the financial asset.
- Where substantially all the risks and rewards have been transferred.
- Where RMS has not transferred substantially all the risks and rewards, if the entity has not retained control.

Where RMS has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of RMS' continuing involvement in the asset.

b. Financial liabilities

i. Payables

These amounts represent liabilities for goods and services provided to RMS 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.

ii. 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.

Finance lease liabilities are recognised in accordance with AASB117 *Leases*. Minimum lease payments made under finance leases are apportioned between the interest expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a consistent periodic rate of interest on the remaining balance of the liability.

iii. Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires.

When a lender replaces an existing financial liability with one on significantly different or modified terms, the Organisation derecognises the original liability and recognises the new liability. It then recognises the difference in their carrying amounts in the Statement of Comprehensive Income.

iv. Financial guarantees

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a contract arrangement.

Under AASB 139, financial guarantee contracts are recognised as a liability at the time the guarantee is issued and initially measured at fair value, where material. After initial recognition, the liability is measured at the higher of the amount determined in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised, less accumulated amortisation.

RMS carries out minor works contracts for entities outside of the NSW public sector. In order to tender for the contracts and remain on an equal footing, RMS is required to lodge a security deposit in the form of bank guarantee. Under the *Public Authorities and (Financial Arrangements) Act 1987*, RMS has an approved limit of $3 million until 30 June 2012 from TCorp.

RMS has reviewed its financial guarantees and determined that there is no material liability to be recognised for financial guarantee contracts as at 30 June 2012 and as at 30 June 2011. Refer to note 21 regarding disclosures on contingent liabilities.

t. Equity transfers

The transfer of net assets between agencies as a result of an administrative restructure, transfers of programs/functions and parts thereof between NSW public sector agencies are designated as contributions by owners and recognised as an adjustment to "Accumulated Funds". This treatment is consistent with AASB 1004 *Contributions and Australian Interpretation* 1038 *Contributions by Owners Made to Wholly Owned Public Sector Entities*.

Transfers arising from an administrative restructure between not-for-profit entities and for-profit government departments are recognised at the amount at which the asset was recognised by the transferor immediately prior to the restructure. In most instances this will approximate fair value.

All other equity transfers are recognised at fair value, except for intangibles. Where an intangible has been recognised at amortised cost by the transferor because there is no active market, RMS recognises the asset at the transferor's carrying amount. Where the transferor is prohibited from recognising internally generated intangibles, RMS does not recognise that asset.

u. Grants and subsidies

Grants and subsidies generally comprise contributions in cash or kind to various local government authorities and not-for-profit community organisations. These contributions include transfers of roads and bridges, cash grants for road maintenance and the provision of transport services. The grants and subsidies are expensed on the transfer of cash or assets. The transferred assets are measured at their fair value and transferred for nil consideration.

v. Retained taxes, fines and fees

Retained taxes, fines and fees are recognised when cash is received.

w. Comparative information

The Financial Statements as at 30 June 2012 are the first financial statements for RMS. Consequently no comparative information for prior periods has been provided.

However, notional financial statements for the 12 months ended 30 June 2012 with comparative information for the prior period have been included in note 27. These statements have been prepared from the perspective of RMS existing for the whole year and having always existed in its current form. The content of these statements is based on an aggregation of financial information from the former RTA and NSW Maritime adjusted for those functions transferred in or out to other agencies.

x. Budget

The Financial Reporting Code requires disclosure of budget information included in the budget paper. RMS does not have its own separate budget in the budget paper as it was established after the budget was presented for 2011–12. Consequently no budget information and review note are disclosed in the current financial statements.

y. Equity and reserves

i. Asset revaluation reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets. This accords with the agency's policy on the revaluation of property, plant and equipment as discussed in note 1(k).

ii. Accumulated funds

The category of accumulated funds includes retained funds.

z. Critical accounting estimates, judgements and assumptions

In the application of accounting standards, management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the current set of circumstances. Actual results may differ from these estimates.

Management evaluates these judgements, estimates and assumptions on an ongoing basis. Revisions to estimates are recognised in the period in which the estimate is revised if the revision affects only that period – or in the period of the revision and future periods if the revision affects both current and future periods.

Significant judgements, estimates and assumptions made by management in the preparation of the consolidated financial statements are outlined below:

Property, plant and equipment	Note 1(k) and note 9
Private sector provided infrastructure	Note 1(k) and note 10(a)
Employee benefits	Note 1(g) and note 16

2. Expenses excluding losses

a. Employee related expenses

Employee related expenses comprise the following specific items:

	Consolidated	Parent
	June 2012 $'000	June 2012 $'000
Salaries and wages (including annual leave)	330,369	–
Superannuation – defined benefit plans*	7,683	–
Superannuation – defined contribution plans	22,015	–
Personnel services	–	778,271
Long service leave	21,545	–
Payroll tax and fringe benefits tax	17,977	–
Redundancy	539	–
Skill hire contractors	34,142	34,142
Workers' compensation insurance	9,489	–
	443,759	**812,413**
Allocations of employee related costs to programs		
– Capitalised to infrastructure	160,505	160,505
– Operating programs (including maintenance costs)	443,759	812,413
	604,264	**972,918**

Included in the above are employee related expenses of $124.491 million related to maintenance.

*Defined benefit superannuation actuarial losses of $368.654 million in the eight months ended 30 June 2012 are recognised in the Statement of Comprehensive Income. Total superannuation expense recognised in the Statement of Comprehensive Income is $398.352 million.

b. Other operating expenses

Auditor's remuneration – audit of financial statements	610	595
Advertising	14,308	14,308
Contract payments	20,233	20,233
Data processing	17,065	17,065
Contingent rent	3,748	3,748
Fleet hire and lease charges	7,021	7,021
Lease and property expenses	30,400	30,400
M5 Cashback refund	47,409	47,409
Office expenses	22,202	22,202
Payments to councils and external bodies	7,684	7,684
Sydney Harbour Tunnel operating fees	18,370	18,370
Travel and legal expenses	8,673	8,673
Utilities and communications	2,454	2,454
Professional fees	56,069	56,069
Other	12,856	12,871
	269,102	**269,102**
Shared services charges	73,705	73,705
	342,807	**342,807**

Infrastructure maintenance

Major reconstruction costs for road segments on State roads are capitalised and as such not charged against maintenance expenditure. RMS capitalised $ 228.329 million of such works during the year.

RMS expensed $136.42 million in the eight months ended 30 June 2012 on natural disaster restoration works from State funds, and $93.21 million in the eight months ended 30 June 2012 on block grants and other maintenance grants to councils for regional and local roads.

	Consolidated	Parent
	June 2012 $'000	June 2012 $'000
Roads maintenance	514,890	514,890
Maritime maintenance	10,022	10,022
Maintenance expenses in statement of comprehensive income	524,912	524,912
Maintenance related employee expenses (note 2(a))	124,491	124,491
Total maintenance expenses including employee related	**649,403**	**649,403**
Total maintenance program	238,747	238,747
Capitalised maintenance	228,329	228,329
Total maintenance program	**1,116,479**	**1,116,479**

c. Depreciation and amortisation

Depreciation of operational and property assets	28,112	28,112
Depreciation of infrastructure assets	583,517	583,517
Amortisation of intangible assets	6,448	6,448
	618,077	**618,077**

d. Grants and subsidies

Grants under road safety program	5,997	5,997
Maintenance grants to councils (note 2(b))	238,747	238,747
Roads and bridges transferred to councils	73,026	73,026
Other grants and subsidies	13,222	13,222
	330,992	**330,922**

e. Finance costs

Interest expense from financial liabilities not at fair value through profit and loss	21,240	21,240
Finance lease interest charges	30,551	30,551
Finance lease interest charges – Maritime Trade Tower	3,962	3,962
Other	5,886	5,886
	61,639	**61,639**

3. Revenue

a. Sale of goods and services

	Consolidated	Parent
	June 2012 $'000	June 2012 $'000
Sale of goods		
Number plates	63,642	63,642
Rendering of services		
Advertising	13,280	13,280
Boat licences	13,219	13,219
Boat registrations	14,978	14,978
Channel fees	9,040	9,040
Fees for services	34,255	34,255
Heavy vehicle permit fees	1,028	1,028
Miscellaneous services	16,804	16,804
Moorings	5,657	5,657
General maritime revenue	2,044	2,044
Publications	3,516	3,516
Rental income	37,549	37,549
Third party insurance data access charges	11,514	11,514
Toll revenue (Sydney Harbour Bridge)	64,523	64,523
Toll revenue (Sydney Harbour Tunnel)	28,786	28,786
Works and services	31,761	31,761
	351,596	**351,596**
Personnel services revenue	**71,067**	**71,067**

b. Investment revenue

Interest	9,392	9,392
Interest – Maritime Trade Tower	3,820	3,820
Rent received – Maritime Trade Tower	8,731	8,731
Amortisation of zero interest loan Sydney Harbour Tunnel	4,744	4,744
TCorp Investment Facilities Designated at Fair Value Through Profit or Loss – Gain on Fair Valuation	3,340	3,340
	30,027	**30,027**

c. Retained taxes, fees and fines

Sanction fees payable under the Fines Act	8,012	8,012
	8,012	**8,012**

d. Grants from Transport for NSW (TfNSW)

	Consolidated	Parent
	June 2012 $'000	June 2012 $'000
Operating grant		
Grant to fund general operations including maintenance	1,236,098	1,236,098
Capital grant		
Grants to fund investment in infrastructure network development	1,826,407	1,826,407
	3,062,505	**3,062,505**

Of the $1,826.407 million capital grant, $1,017 million relates to federal funding. The equivalent figure for the recurrent grant is $97.372 million. Federal funding is appropriated to TfNSW through NSW Treasury.

e. Other grants and contributions

NSW Government agencies		
– TfNSW	3,813	3,813
– Other	6,496	6,496
Local government	1,707	1,707
Other government agencies	4,234	4,234
Private firms and individuals	11,897	11,897
	28,147	**28,147**

Contributions received during the eight months ended 30 June 2012 were recognised as revenue during the period and were expended in that period with no balance of those funds available at 30 June 2012.

f. Other revenue

Amortisation of Deferred Revenue on Private Sector Provided Infrastructure (PSPI) Projects	8,119	8,119
Value of emerging interest of PSPI		
– M2 (refer note 10(a))	9,524	9,524
– M4 (refer note 10(a))	695	695
– M5 (refer note 10(a))	16,101	16,101
– Eastern Distributor (refer note 10(a))	10,140	10,140
– Cross City Tunnel (refer note 10(a))	14,924	14,924
– Western Sydney Orbital M7 (refer note 10(a))	29,810	29,810
– Lane Cove Tunnel (refer note 10(a))	21,082	21,082
M2 and Eastern Distributor promissory notes	10,253	10,253
Fuel tax credits	134	134
Principal arranged insurance refund	2,024	2,024
Property revenue	3,862	3,862
Recognition of infrastructure assets	12,682	12,682
Miscellaneous services	1,916	1,916
Other boating fees	1,305	1,305
Other (including professional services revenue)	2,918	2,918
	145,489	**145,489**

4. Gains/(losses) on disposal

a. Gains/(losses) on disposal

	Consolidated	Parent
	June 2012 $'000	June 2012 $'000
Net gain on sale of property, plant and equipment		
– Proceeds from sale	20,744	20,744
– Carrying amount of assets sold	(29,600)	(29,600)
Net gain on sale of property, plant and equipment	**(8,856)**	**(8,856)**

b. Other gains/(losses)

Allowance for impairment of receivables	(677)	(677)
Bad debts (written off)/recovered	(4,451)	(4,451)
Carrying amount of assets written off	(170,080)	(170,080)
Revaluation decrement on investment properties*	(2,823)	(2,823)
Asset write-down infrastructure assets	(111,020)	(111,020)
Total other gains/(losses)	**(289,051)**	**(289,051)**

The majority of the assets written off last year were infrastructure assets. In cases where RMS constructs a new infrastructure asset that substantially replaces an existing asset (rather than performing work to maintain the existing asset), the capitalised value of the original asset is written off and the new asset is included within the additions to infrastructure assets (note 9(c)).

*Loss on revaluation of Maritime investment property – Maritime Trade Tower (refer note 10(c)).

5. Write off of infrastructure assets

	Consolidated	Parent
	June 2012 $'000	June 2012 $'000
Infrastructure assets written off	**169,544**	**169,544**

The following infrastructure assets were written off in the eight months to 30 June 2012:

	Replacement costs $'000	Accumulated depreciation $'000	WDRC $'000
Roads	172,406	(26,774)	145,632
LUR	14,957	–	14,957
Bridges	6,108	(2,683)	3,425
Traffic signals network	299	(143)	156
Traffic control network	6,512	(1,138)	5,374
	200,282	**(30,738)**	**169,544**

Write-down of infrastructure assets

	Consolidated	Parent
	June 2012 $'000	June 2012 $'000
Infrastructure assets written down	**111,020**	**111,020**

The following infrastructure assets were written down in the eight months to 30 June 2012:

	Replacement costs $'000	Accumulated depreciation $'000	WDRC $'000
Land under roads	111,020	–	111,020
	111,020	**–**	**111,020**

6. Service groups of Roads and Maritime Services

a. Transport Infrastructure and Development

This service group includes the development of new road and maritime infrastructure along with enhancement of the existing networks.

b. Integrated Transport Service Delivery

This service group seeks to implement initiatives to increase safe road and maritime use behaviour to ensure that: drivers, marine vessel operators and riders are eligible, competent and identified; vehicles and marine vessels are road and sea worthy and meet emission standards; and a high standard of customer service is maintained.

c. Integrated Transport Planning and Management

This service group seeks to ensure safe, reliable movement of people and goods on the arterial road network and marine waterways, and retain the value and quality of the infrastructure as a long-term renewable asset.

7. Current assets – cash and cash equivalents

	Consolidated	Parent
	June 2012 $'000	June 2012 $'000
Rms operating account	11,710	11,710
Remitting account, cash in transit and cash on hand*	41,595	41,595
TCorp Hour-Glass Cash Facility**	295,549	295,549
On call deposits	7,239	7,239
Other	579	579
	356,672	**356,672**

For the purposes of the statement of cash flows, cash and cash equivalents include cash at bank, cash on hand, on call deposits, and TCorp Investments.

*The remitting account balance above does not include cash of $26.377 million relating to administered revenue held by RMS as at 30 June (refer to note 24).
**The TCorp Investments are unit trust investment facilities which are at call. This includes restricted assets received from the deposit holders, which are SHB ETOLL Tag Deposits of $48.953 million, Just Terms Compensation of $782,430, and Tow Truck Licensing and Compliance of $395,285.

Cash and cash equivalent assets recognised in the Statement of Financial Position are reconciled at the end of the financial period to the Statement of Cash Flows as follows:

Cash and cash equivalents (per statement of financial position)	356,672	356,672
Long-term growth facility	11,010	11,010
Medium-term growth facility	32,167	32,167
Strategic cash facility	4,929	4,929
Closing cash and cash equivalents (per statement of cash flows)	**404,778**	**404,778**

Details regarding credit risk, liquidity risk and market risk arising from financial instruments are disclosed in note 15.

8. Current assets/non-current assets – receivables and other financial assets

a. Current receivables

	Consolidated	Parent
	June 2012 $'000	June 2012 $'000
Sale of goods and services	52,443	52,443
TfNSW receivable (see note 1(u))	131,449	131,449
Goods and services tax receivable	88,799	88,799
Other	1,818	1,818
	274,509	**274,509**
Less: allowance for impairment*	(8,679)	(8,679)
	265,830	**265,830**
Prepayments	4,618	4,618
Land sale receivables**	24,253	24,253
Property debtors	9,415	9,415
Dishonoured credit cards	109	109
	304,225	**304,225**

	Consolidated	Parent
	June 2012 $'000	June 2012 $'000
Accrued income		
– Interest	105	105
– Property sales	18,768	18,768
– Other	9,792	9,792
Total current	**332,890**	**332,890**

*The allowance for impairment primarily relate to amounts owing as a result of commercial transactions (eg debts raised for performance of services or sale of goods) and tenants who vacate rental premises without notice whilst in arrears.
**Land sale receivables relate to the Maritime Trade Tower land which was sold in 1989 on a 96 year term with payments extending for 25 years. The purchaser's tenure is secured by a lease. These amounts represent the capital portion owed under a Finance Lease with the amount disclosed receivable within 12 months.

Details regarding credit risk, liquidity risk and market risk, including maturity analysis of borrowings are disclosed in note 15.

Movement in the allowance for impairment

	Consolidated	Parent
	June 2012 $'000	June 2012 $'000
Balance as part of net assets received from equity transfer	3,708	3,708
Amounts written off during the period	(157)	(157)
Increase in allowance recognised in statement of comprehensive income	818	818
Balance as at end of financial period	**4,369**	**4,369**

b. Non-current receivables

Pre-paid lease	15	15
Other	6,152	6,152
	6,167	**6,167**

c. Other financial assets

Non-current financial assets (at amortised cost)

Loan to Sydney Harbour Tunnel Company Promissory notes (refer to note 10(a))	111,547	111,547
M2 and Eastern Distributor	32,795	32,795
	144,342	**144,342**

d. Non-current financial assets (at fair value)

TCorp Hour-Glass Investment Facilities – long-term growth facility	11,010	11,010
TCorp Hour-Glass Investment Facilities – medium-term growth facility	32,167	32,167
TCorp Hour-Glass Investment Facilities – strategic cash facility	4,929	4,929
	48,106	**48,106**

9. Non-current assets – property, plant and equipment

Consolidated and parent	Land and buildings $'000	Plant and equipment $'000	Infrastructure systems $'000	Total $'000
As at 1 November 2011 – fair value				
Gross carrying amount	–	–	–	–
Accumulated depreciation	–	–	–	–
Net carrying amount	**–**	**–**	**–**	**–**
As at 30 June 2012 – fair value				
Gross carrying amount	2,788,210	272,291	83,278,453	86,338,954
Accumulated depreciation	(46,815)	(131,209)	(21,796,665)	(21,974,689)
Net carrying amount	**2,741,395**	**141,082**	**61,481,788**	**64,364,265**

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

Period ended 30 June 2012				
Net carrying amount at start of period	–	–	–	–
Net assets received from equity transfer*	2,645,613	139,564	58,568,117	61,353,294
Additions	94,425	12,694	1,817,889	1,925,008
Disposals	(22,199)	(2,156)	(149,560)	(173,915)
Transfers to Sydney Ports Corporation	–	(196)	(4,484)	(4,680)
Transfers to councils	–	–	(73,590)	(73,590)
Transfers from councils	–	–	7,279	7,279
Increase in marina assets	–	–	1,799	1,799
Net revaluation increment less revaluation decrements	25,119	–	14,307	39,426
Asset write down	(1,038)	–	(111,020)	(112,058)
Depreciation expense	(15,802)	(12,311)	(583,517)	(611,630)
Transfer (to)/from assets held for sale	18,125	137	–	18,262
Rci and other adjustments/WIP	2,026	–	1,990,016	1,992,042
Transfer out	(4,874)	(2,484)	(1,677,143)	(1,684,501)
Transfers in	–	5,834	1,681,695	1,687,529
Net carrying amount at end of period	**2,741,395**	**141,082**	**61,481,788**	**64,364,265**

*Details regarding net assets received from equity transfer are disclosed in note 19.

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

Physical non-current assets are valued in accordance with the 'Valuation pf Physical Non-Current Assets at Fair Value' Policy and Guidelines Paper (TPP 07-1). This policy adopts fair value in accordance with AASB 116 *Property, Plant and Equipment*.

Property, plant and equipment assets were transferred to RMS from the former RTA and NSW Maritime at the value reported in their respective financial statements as at 31 October 2011. These values were deemed to be fair value in accordance with TPP 09–03 Accounting Policy: Contributions by owners made to wholly owned public sector entities.

Traffic signals, control network and all bridges were subject to a full revaluation in 2007–08 and roads were subject to a full revaluation in 2008–09.

a. Land and buildings – consolidated and parent

	Works administration properties and		Land and buildings acquired for future roadworks	Leasehold improvements	Total
	Officers' residences	Buildings $'000	$'000	$'000	$'000
Period ended 30 june 2012					
Net carrying amount at start of period	–	–	–	–	–
Net assets received from equity transfer	160,140	245,351	2,191,480	48,642	2,645,613
Additions	–	2,569	89,786	2,070	94,425
Disposals	–	(2,477)	(17,235)	(2,487)	(22,199)
Net revaluation increments less revaluation decrements	70	110	24,939	–	25,119
Depreciation expense	–	(7,974)	–	(7,827)	(15,802)
Transfer from assets held for sale	–	–	18,125	–	18,125
Reclassifications	(2,670)	(2,820)	5,439	50	–
Adjustments/WIP	–	(547)	–	2,573	2,026
Asset write-down	–	(70)	(968)	–	(1,038)
Transfer to infrastructure	–	–	(4,874)	–	(4,874)
Net carrying amount at end of period	**157,540**	**234,142**	**2,306,692**	**43,021**	**2,741,395**

Category of land and building acquired for future roadworks	Aggregate carrying amount $'000
Revalued as part of the current progressive revaluation and carried at fair value (market value) as at 30 June 2012 less, where applicable, any subsequent accumulated depreciation. – Surplus properties – Rentable properties	886,504
Untenanted land for roads – revalued annually not subject to progressive revaluation.	1,420,188
Total land and buildings acquired for future roadworks at 30 June 2012	2,306,692

b. Plant and equipment – consolidated and parent

	Plant equipment and motor vehicles $'000	Computer hardware $'000	Electronic office equipment $'000	Maritime plant and equipment $'000	Total $'000
Period ended 30 June 2012					
Net carrying amount at start of period	–	–	–	–	–
Net assets received from equity transfer	87,161	29,983	2,640	19,780	139,564
Additions	6,666	3,318	295	2,415	12,694
Disposals	(1,276)	–	–	(880)	(2,156)
Transfers to Sydney Ports Corporation	–	–	–	(196)	(196)
Depreciation expense	(6,436)	(3,385)	(19)	(2,471)	(12,311)
Transfer from assets held for sale	137	–	–	–	137
Reclassifications	836	4,998	(2,484)	–	3,350
Net carrying amount at end of period	**87,088**	**34,914**	**432**	**18,648**	**141,082**

c. Infrastructure systems – consolidated and parent

Infrastructure systems are valued as follows:

	Roads	Land under roads	Bridges	Sydney Harbour Tunnel	Traffic signals network	Traffic control network	Maritime assets	Major works in progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Period ended 30 June 2012									
Carrying amount at start of period	–	–	–	–	–	–	–	–	–
Net assets received from equity transfer	39,380,356	1,669,773	10,560,685	759,346	299,326	121,389	1,363,648	4,413,594	58,568,117
Additions	208,885	–	41,953	–	7,009	38,343	4,885	1,516,814	1,817,889
Disposals	(104,234)	(14,957)	(8,082)	–	(156)	(5,373)	(2,377)	(14,381)	(149,560)
Transfers to Sydney Ports Corporation	–	–	–	–	–	–	(4,484)	–	(4,484)
Transfers to councils	(59,769)	(11,227)	(2,030)	–	–	–	(564)	–	(73,590)
Transfers from councils	–	–	2,027	–	–	–	5,252	–	7,279
Increase in marina assets	–	–	–	–	–	–	1,799	–	1,799
Asset write down	–	(111,020)	–	–	–	–	–	–	(111,020)
Depreciation expense	(425,281)	–	(103,197)	(11,248)	(18,436)	(18,714)	(6,641)	–	(583,517)
Transfers in	1,275,812	4,551	401,332	–	–	–	–	–	1,681,695
Transfers out	–	–	–	–	(573)	(3,502)	–	1,673,068	1,677,143
RCI and other adjustments/WIP	1,720,458	323	245,282	14,307	1,055	15,719	–	7,179	2,004,323
Net carrying amount at end of period	**41,996,227**	**1,537,443**	**11,137,970**	**762,405**	**288,225**	**147,862**	**1,361,518**	**4,250,138**	**61,481,788**

RMS leases the Sydney Harbour Tunnel under agreement with the Sydney Harbour Tunnel Company (SHTC). The agreement transfers ownership of the tunnel to RMS at the end of the lease term in 2022 (see note 17 for further details). At 30 June 2012 the net carrying amount of this leased infrastructure assets was $762.405 million.

10. Non-current assets – intangible assets and other

a. Private sector provided infrastructure

	Consolidated	Parent
	June 2012 $'000	June 2012 $'000
M2 Motorway		
Carrying amount at start of period	–	–
Net assets received from equity transfer	59,513	59,513
Annual increment – emerging right to receive	9,524	9,524
Carrying amount at end of period	**69,037**	**69,037**
M4 Motorway Service Centre		
Carrying amount at start of period	–	–
Net assets received from equity transfer	4,326	4,326
Annual increment – emerging right to receive	695	695
Carrying amount at end of period	**5,021**	**5,021**
M5 Motorway		
Carrying amount at start of period	–	–
Net assets received from equity transfer	173,139	173,139
Annual increment – emerging right to receive	16,101	16,101
Carrying amount at end of period	**189,240**	**189,240**
Eastern Distributor		
Carrying amount at start of period	–	–
Net assets received from equity transfer	64,475	64,475
Annual increment – emerging right to receive	10,140	10,140
Carrying amount at end of period	**74,615**	**74,615**
Cross City Tunnel (CCT)		
Carrying amount at start of period	–	–
Net assets received from equity transfer	101,779	101,779
Annual increment – emerging right to receive	14,924	14,924
Carrying amount at end of period	**116,703**	**116,703**
Western Sydney Orbital (M7)		
Carrying amount at start of period	–	–
Net assets received from equity transfer	202,352	202,352
Annual increment – emerging right to receive	29,810	29,810
Carrying amount at end of period	**232,162**	**232,162**
Lane Cove Tunnel		
Carrying amount at start of period	–	–
Net assets received from equity transfer	110,796	110,796
Annual increment – emerging right to receive	21,082	21,082
Carrying amount at end of period	**131,878**	**131,878**
Total carrying amount at end of period	**818,656**	**818,656**
Totals		
Carrying amount at start of period	–	–
Net assets received from equity transfer	716,380	716,380
Annual increment – emerging right to receive	102,276	102,276
Carrying amount at end of period	**818,656**	**818,656**

M2 Motorway

RMS entered into a contract with the concession holder to design, construct, operate and maintain the M2 Motorway. Under the terms of the Project Deed, ownership of the M2 Motorway will revert to RMS 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.

To facilitate these works, RMS 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, 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, RMS must not present any of the promissory notes for payment until the earlier of the end of the term of Agreement or the achievement of the required rate of return. The term of the Agreement ends on the 45th anniversary of the M2 commencement date (ie 26 May 2042) subject to the provisions of the M2 Motorway Project Deed.

No payments have been made for rents for the leases for the period ended 30 June 2012. RMS, as at 30 June 2012, has received promissory notes for rent on the above leases totalling $ 136.910 million. The net present value of these promissory notes as at 30 June 2012 is $15.957 million.

RMS has, from the date of completion of the M2 Motorway, valued the asset by reference to RMS' emerging share of the estimated depreciated replacement cost of the asset at date of hand back over the concession period calculated using the effective interest rate method (refer note 1(f)(vi)). Based on the historical rental returns, the conservative period of 45 years has been used to calculate RMS' emerging share of the asset.

The NSW Government announced the Hills M2 Upgrade on, 26 October 2010. Construction of the upgrade commenced in December 2010. The upgrade will take approximately two years to complete and the existing M2 concession period will be extended for four years after the final completion of the project. The estimated initial construction cost is $550 million. RMS will not recognise an emerging asset for the upgrade until the upgrade is complete.

M4 Service Centre

In October 1992, RMS and the concession holder entered into the M4 Service Centre Project Deed under which RMS agreed to acquire land and lease the land to the concession holder. The concession holder agreed to finance, design, construct, maintain and operate two service centres which are located on each carriageway of the M4 at Eastern Creek.

The M4 Service Centres were opened for use on 1 January 1993. The concession holder will operate, maintain and repair the service centres until 31 December 2017, after which the service centres will be transferred back to RMS at nil value.

RMS values the Service Centre asset by reference to RMS' emerging share of the depreciated replacement cost of the asset over the period of the concession period calculated using the effective interest rate method (refer note 1(f)(vi)).

M5 Motorway

RMS entered into a contract with the concession holder to design, construct, operate and maintain the M5 Motorway. The initial concession period for the M5 Motorway was for the period 14 August 1992 to 14 August 2022. RMS has valued the M5 Motorway by reference to RMS' emerging share of the depreciated replacement cost apportioned over the period of the concession agreement calculated using the effective interest rate method (refer note 1(f)(vi)).

In consideration for the concession holder undertaking construction of an additional interchange at Moorebank (M5 Improvements), the initial concession period has been subsequently extended to 22 August 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, RMS determines that the expected financial return has been achieved, RMS has the right to purchase either the business from the concession holder or the shares in the concession holder. The exercise price under the M5 Call Option Deed will be based on open market valuation of the business or shares.

In November 2009, the NSW Government announced a proposal to expand the M5 corridor. The M5 West widening would expand the South West Motorway generally from two to three lanes in each direction to reduce travel time for motorists using the motorway and surrounding roads. It was announced on 26 June 2012 that contracts had been signed and financial close reached. Major construction is expected to begin at the end of August 2012.

Eastern Distributor

An agreement was signed with the concession holder on 27 June 1997 to finance, design, construct, operate, maintain and repair the Eastern Distributor which was opened to traffic on 23 July 2000.

In consideration of RMS granting to the concession holder the right to levy and retain tolls on the Eastern Distributor, the concession holder is required to pay concession fees in accordance with the Agreement. From the date of Financial Close, which occurred on 18 August 1997, the concession holder has paid $210 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 24 July 2048 and, as at 30 June 2012, the promissory notes have a net present value of $16.838 million.

Under the terms of the Project Deed, ownership of the Eastern Distributor will revert to RMS on the earlier of the achievement of specified financial returns outlined in the Deed or 48 years from the Eastern Distributor Commencement Date of 23 July 2000. The conservative period of 48 years has been used to calculate RMS' emerging share of the asset.

Cross City Tunnel

An agreement was signed with the concession holder on 18 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.

The concession holder was placed into receivership in 2006–07. The receivers subsequently sold the CCT asset to a private operator in June 2007.

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 until 18 December 2035, after which the motorway will be transferred back to RMS.

RMS values the asset by reference to RMS' emerging share of the depreciated 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 was received by RMS from the operator in the form of an upfront cash payment. The amount of this payment was $96.860 million.

Westlink M7 Motorway

An agreement was signed with the concession holder on 13 February 2003 to design, construct, operate and maintain the Westlink M7 Motorway. 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. RMS had responsibility under the contract for the provision of access to property required for the project. Under the terms of the agreement, the concession holder will operate the motorway until 14 February 2037, after which the motorway will be transferred back to RMS.

RMS values the asset by reference to RMS' emerging share of the depreciated 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 RMS 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 concession holder on 4 December 2003 to finance, design, construct, operate and maintain the Lane Cove Tunnel Project. Major construction started on 24 June 2004 and the tunnel was opened to traffic on 25 March 2007.

The construction cost was $1.1 billion, with the cost being met by the private sector. RMS was responsible under the contract for the provision of access to property required for the project, which was identified by the Project Deed. Under the terms of the agreement, the concession holder designed and constructed the motorway and will operate the motorway until 9 January 2037 after which the motorway will be transferred back to RMS.

RMS values the asset by reference to RMS' emerging share of the depreciated 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 RMS from the operator in the form of an upfront cash payment. The amount of this payment was $79.301 million.

b. Other intangible assets – consolidated and parent

	Software June 2012 $'000
Balance at start of period	
Cost	–
Accumulated amortisation and impairment	–
Net carrying amount	**–**
Balance at end of period	
Cost	233,122
Accumulated amortisation and impairment	(96,674)
Net carrying amount	**136,448**
Net carrying amount at start of period	–
Net assets received from equity transfer	105,747
Additions	40,503
Written off	–
Disposals	(4)
Amortisation expense	(6,448)
Transfer in from PPE (note 9(b))	(3,350)
Net carrying amount at end of period	**136,448**

c. Investment property

	Consolidated	Parent
	June 2012 $'000	June 2012 $'000
Balance as part of net assets transferred from equity transfer	132,289	132,289
Disposals and assets held for sale	–	–
Net gain/(loss) from fair value adjustment	(2,823)	(2,823)
Other	–	–
Closing balance as at 30 June – fair value	**129,466**	**129,466**

The fair value of investment properties has been determined by reference to independent valuations as at 30 June 2012. Such valuations are performed on an open market basis, being the amounts for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the valuation date, in accordance with Australian Valuation Standards.

Realisation of RMS' ownership of the Martime Trade Towers is restricted by a finance lease entered into in 1988 to facilitate the construction of the property.

11. Non-current assets held for sale

	Consolidated	Parent
Assets held for sale	**June 2012 $'000**	**June 2012 $'000**
Balance as part of net assets transferred from equity transfer		
Land and buildings	40,538	40,538
Plant and equipment	248	248
	40,786	**40,786**
Balance at end of period		
Land and buildings	22,414	22,414
Plant and equipment	111	111
	22,525	**22,525**

Land and buildings held for sale include properties that have been identified as no longer required to fulfil long-term plans for road development or administrative needs. These assets are placed on auction as outlined in the annual asset selling plan and sales budget. Plant and equipment held for sale mainly consists of fully depreciated fleet assets. Impairment loss is recognised to the extent of cost to sell the assets where the cost to sell is material. Cost to sell (impairment loss) is provided by the professional valuers and/or experienced engineers and project managers land and buildings $1.207 million, fleet assets $nil. The gain or loss recognised on sale is: land and buildings $2.180 million, fleet assets $nil. The WDV of assets held for sale derecognised due to reclassification: Land and buildings $18.125 million, fleet assets $0.137 million.

12. Restricted assets

TCorp Hour-Glass investments	48,952	48,952

Holders of E-tags provide an initial amount as a security deposit for the use of the actual E-tag. The deposit is refundable upon closure of the associated E-tag account. Monies received for these deposits have been invested in an account with TCorp. Transactions on this account are restricted to activity relating to E-Tag deposits.

13. Current liabilities – payables

Trade creditors(i)	175,528	175,528
Creditors arising from compulsory acquisitions	12,907	12,907
Personnel services	131,448	1,673,398
Accrued expenses		
– Salaries, wages and on-costs	11,178	–
– Works contract expenditure	291,264	291,264
– Work carried out by councils	129,684	129,684
– Interest	9,165	9,165
– Other (including non-works contracts)	140,027	140,027
Other	12	12
	901,213	**2,431,985**

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

(ii) Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in note 15.

14. Current/non-current liabilities – borrowings

At amortised cost	Consolidated June 2012 $'000	Parent June 2012 $'000
Current		
NSW Treasury Corporation borrowings	2,973	2,973
Treasury advances repayable	2,011	2,011
Finance lease – Sydney Harbour Tunnel (note 18(d))	40,623	40,623
Finance lease – Maritime Trade Tower (note 18(e))	25,130	25,130
	70,737	**70,737**
Non-current		
NSW Treasury Corporation Borrowings	488,666	488,666
Treasury advances repayable	6,336	6,336
Finance leases – Sydney Harbour Tunnel (note 18(d))	547,790	547,790
Other	371	371
	1,043,163	**1,043,163**

Details regarding credit risk, liquidity risk and market risk, including maturity analysis of the above borrowings are disclosed in note 15.

15. Financial instruments

RMS principal financial instruments are outlined below. These financial instruments arise directly from RMS operations or are required to finance RMS operations. RMS does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. RMS' main risks arising from financial instruments are outlined below, together with RMS' objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout this financial report.

The Chief Executive has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by RMS, to set risk limits and controls and to monitor risks.

a. Financial instrument categories

Financial assets	Note	Category	Carrying amount June 2012 $'000
Class:			
Cash and cash equivalents	7	N/A	356,672
Receivables[1]	8	Loans and receivables (at amortised cost)	215,220
Financial assets	8	At fair value through profit and loss – designated as such upon initial recognition	48,106
Other financial assets	8	Loans and receivables (at amortised cost)	144.342

Financial liabilities	Note	Category	Carrying amount
			June 2012 $'000
Class:			
Payables[2]	13,17	Financial liabilities measured at amortised cost	1,021,283
Borrowings	14	Financial liabilities measured at amortised cost	1,113,900

1. Excludes statutory receivables and prepayments (ie not within scope of AASB 7).
2. Excludes statutory payables and unearned revenue (ie not within scope of AASB 7).

b. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. RMS exposures to market risk are primarily through interest rate risk on borrowings and other price risks associated with the movement in the unit price of the Hour-Glass Investment facilities. RMS has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the table below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which RMS operates and the time frame for the assessment (ie until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the Statement of Financial Position date.

i. Interest rate risk

Exposure to interest rate risk arises primarily through RMS' interest bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings, primarily with NSW TCorp.

TCorp manages interest rate risk exposures applicable to specific borrowings of RMS in accordance with the debt management policies determined by the NSW Debt Management Committee (DMC), to a benchmark and other criteria similar to those applying to the Crown debt portfolio and receives a fee for this service.

TCorp uses derivatives, primarily interest rate futures, to establish short-term (tactical) and longer term (strategic) positions within agreed tolerance limits to manage portfolio duration and maturity profiles. At reporting date the carrying value of borrowings and derivatives (net of funds held at call) managed by TCorp stood at $491.148 million.

RMS does not account for any fixed rate financial instruments at fair value through profit and loss or as available for sale. Therefore, for these financial instruments, a change in interest rates would not affect profit or loss or equity. A reasonably possible change of +/– one per cent is used, consistent with current trends in interest rates. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility.

The impact on RMS' surplus/deficit and equity is set out in the table below assuming a 1 per cent change in variable interest rates.

		1% increase in interest rate		1% decrease in interest rate	
30 June 2012	Carrying amount $'000	Surplus /Deficit $'000	Equity $'000	Surplus /Deficit $'000	Equity $'000
Financial assets					
Cash and cash equivalents	404,778	(4,048)	(4,048)	4,048	4,048

ii. Other price risk – TCorp Hour-Glass facilities

Exposure to 'Other Price Risk' primarily arises through the investment in the TCorp Hour-Glass Investment facilities, which are held for strategic rather than trading purposes. RMS has no direct equity investments and holds units in the following Hour-Glass Investment Trusts:

Facility	Investment sectors	Investment horizon	June 2012 $'000
Cash facility	Cash, money market instruments	up to 1.5 years	295,548
Strategic cash facility	Cash, money market instruments, interest rate securities, bank floating rate notes	1.5 years to 3 years	4,929
Medium-term growth facility	Cash, money market instruments, Australian and international bonds, listed property, Australian and international shares	3 years to 7 years	32,167
Long-term growth facility	Cash, money market instruments, Australian and international bonds, listed property, Australian and international shares	7 years and over	11,010

The unit price of each facility is equal to the total fair value of the net assets held by the facility divided by the total number of units on issue for that facility. Unit prices are calculated and published daily.

NSW TCorp is the trustee for each of the above facilities and is required to act in the best interest of the unit holders and to administer the trusts in accordance with the trust deeds. As trustee, TCorp has appointed external managers to manage the performance and risks of each facility in accordance with a mandate agreed by the parties. However, TCorp, acts as manager for part of the Cash Facility. A significant portion of the administration of the facilities is outsourced to an external custodian.

Investment in the Hour-Glass facilities limits RMS exposure to risk, as it allows diversification across a pool of funds with different investment horizons and a mix of investments.

NSW TCorp provides sensitivity analysis information for each of the Investment facilities, using historically based volatility information. The TCorp Hour-Glass Investment facilities are designated at fair value through profit or loss and therefore any change in unit price impacts directly on profit (rather than equity). A reasonably possible change is based on the percentage change in unit price (as advised by TCorp) multiplied by the redemption value as at 30 June each year.

	Impact on profit/loss	
	Change in unit price	June 2012 $'000
Cash facility	+/- 1%	2,955
Strategic cash facility	+/- 1%	49
Medium-term growth facility	+/- 6%	1,930
Long-term growth facility	+/- 15%	1,652

c. Credit risk

Credit risk arises when there is the possibility of RMS' debtors defaulting on their contractual obligations, resulting in a financial loss to RMS. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

Credit risk arises from the financial assets of RMS, including cash, receivables and authority deposits. RMS does not hold any collateral and has not granted any financial guarantees.

Credit risk associated with RMS financial assets, other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards. Authority deposits held with NSW TCorp are guaranteed by the State.

	Banks $'000	Government $'000	Other $'000	Total $'000
Financial assets				
Cash	61,124	343,654	–	404,778
Receivables	–	–	212,292	212,292
Other	–	–	192,448	192,448
Total financial assets	**61,124**	**343,654**	**404,740**	**809,518**

i. Cash

Cash comprises cash on hand and bank balances within the NSW Treasury Banking System. Interest is earned on daily bank balances at the monthly average NSW TCorp 11am unofficial cash rate, adjusted for a management fee to NSW Treasury.

ii. Receivables – trade debtors

All trade debtors are recognised as amounts receivable at balance date. Collectibility of trade debtors is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand. An allowance for impairment is raised when there is objective evidence that the entity will not be able to collect all amounts due. This evidence includes past experience, and current and expected changes in economic conditions and debtor credit ratings. Debts which are known to be uncollectible are written off. No interest is earned on trade debtors. Sales are made on 35 day terms.

RMS is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Based on past experience, debtors that are not past due (2012: $30.733 million) and not less than six months past due (2012: $1.498 million) are not considered impaired and together these represent 80 per cent of the total trade debtors. There are no debtors which are currently not past due or impaired whose terms have been renegotiated.

The only financial assets that are past due or impaired are "sales of goods and services" and "other" in the "receivables" category of the Statement of Financial Position. (refer to note 8(a)).

		$'000	
30 June 2012	**Total [1, 2]**	**Past due but not impaired [1, 2]**	**Considered impaired [1, 2]**
< 3 months overdue	9,457	8,981	476
3 months – 6 months overdue	2,602	1,893	709
> 6 months overdue	4,862	1,678	3,184

1. Each column in the table reports "gross receivables".
2. The ageing analysis excludes statutory receivables, as these are not within the scope of AASB 7 Financial Instruments: Disclosures and excludes receivables that are not past due and not impaired. Therefore, the "total" will not reconcile to the receivables total recognised in the Statement of Financial Position

iii. Other financial assets

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.

iv. RMS deposits

RMS has placed funds on deposit with TCorp (which has been rated "AAA" by Standard and Poor's). These deposits are similar to money market or bank deposits and can be placed "at call" or for a fixed term. For fixed term deposits, the interest rate payable by TCorp is negotiated initially and is fixed for the term of the deposit, while the interest rate payable on at call deposits can vary. The deposits at balance date were earning an average interest rate of 3.85 per cent, while over the year the weighted average interest rate was 3.01 per cent on a weighted average balance during the year of $98.188 million. None of these assets are past due or impaired.

d. Fair value

Financial instruments are generally recognised at cost, with the exception of the TCorp Hour-Glass facilities, which are measured at fair value. As discussed, the value of the Hour-Glass Investments is based on RMS' share of the value of the underlying assets of the facility, based on the market value. All of the Hour-Glass facilities are valued using "redemption" pricing.

The amortised cost of financial instruments recognised in the Statement of Financial Position approximates the fair value, because of the short term nature of many of the financial instruments.

The future cash flows of the M2 Motorway and Eastern Distributor promissory notes are discounted using standard valuation techniques at the applicable yield having regard to the timing of the cash flows.

The fair value of the Sydney Harbour Tunnel finance lease liability is calculated based on the present value of the minimum lease liability, discounted at the interest rate implicit in the lease agreement.

e. Fair value recognised in statement of financial position

RMS uses the following hierarchy for disclosing the fair value of financial instruments by valuation technique:

- Level 1 – Derived from quoted prices in active markets for identical assets/liabilities.
- Level 2 – Derived from inputs other than quoted prices that are observable directly or indirectly.
- Level 3 – Derived from valuation techniques that include inputs for the asset/liability not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	2012 Total
30 June 2012	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets at fair value				
TCorp Hour-Glass Investment Facility		343,654		343,654

The table above only includes financial assets, as no financial liabilities were measured at fair value in the Statement of Financial Position. There were no transfers between level 1 and 2 during the period ended 30 June 2012.

f. Liquidity risk

RMS manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows.

Liquidity risk is the risk that RMS will be unable to meet its payment obligations when they fall due. RMS continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets. The objective is to maintain a balance between continuity of funding and flexibility through the use of overdrafts, loans and other advances.

RMS has a Come and Go Facility with TCorp valued at $100 million that has current approval to 30 June 2013 for cash management purposes. This year the facility was not used to fund shortfalls, incurring a total interest charge of zero.

Financing arrangements

	Consolidated	Parent
	June 2012 $'000	June 2012 $'000
Unrestricted access was available at the statement of financial position		
Date to the come and go facility		
Total facility	100,000	100,000
Used at statement of financial position date	–	–
Unused at statement of financial position date	**100,000**	**100,000**

During the current and prior years, there were no defaults on any loans payable. No assets have been pledged as collateral. RMS' exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in Treasurer's Direction 219.01. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received.

The table summarises the maturity profile of RMS' financial liabilities, together with the interest rate exposure.

Maturity analysis and interest rate exposure of financial liabilities

			$'000					
			Interest rate exposure			Maturity dates		
30 June 2012	Weighted average effective int. rate	Nominal amount (1)	Fixed interest rate	Variable interest rate	Non-interest bearing	< 1 yr	1–5 yrs	> 5 yrs
Payables:								
Accrued salaries, wages and on-costs	–	11,178			11,178	11,178	–	–
Trade payables	–	175,528			175,528	175,528	–	–
Other current payables	–	12,907			12,907	12,907	–	–
Accrued expenses	–	570,152			570,152	570,152	–	–
Sydney Harbour Tunnel tax liability	–	25,607			25,607	1,919	4,063	19,625
Personnel services		131,448			131,448	131,448		
Holding accounts	–	94,463			94,463	94,463		
Borrowings:								
Advances repayable	5.84%	8,348	8,348	–	–	2,011	6,337	–
TCorp borrowings	5.64%	491,148	491,148			2,482	488,666	–
Finance leases	7.70%	848,708	848,708	–	–	83,661	250,222	514,825
Other loans and deposits	5.95%	862	862	–	–	491	371	
Maritime lease	13%	25,130	25,130	–	–	25,130	–	–

(1) The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities and therefore will not reconcile to the balance sheet.

16. Current/non-current liabilities – provisions

	Consolidated	Parent
	June 2012 $'000	June 2012 $'000
Employee benefits and related on-costs		
Current		
Annual leave and related on-costs(i)	73,207	–
Long service leave and related on-costs(ii)	247,404	–
Provision for workers' compensation(iii)	4,398	–
	325,009	**–**
Current other provisions		
Provision for makegood	3,856	3,856
Provision for environmental restoration	1,500	1,500
	5,356	**5,356**
Employee benefits and related on-costs		
Non-current		
Superannuation – provision	1,186,520	–
Superannuation – accrued	726	–
Long service leave and related on-costs(ii)	15,792	–
Provision for workers' compensation(iii)	2,725	–
	1,205,763	**–**
Non-current other provisions		
Provision for makegood – leaseholds	10,406	10,406
Provision for makegood – land	34	34
	10,440	**10,440**
Total provisions	**1,546,568**	**15,796**
Aggregate employee benefits and related on-costs		
Provisions – current	325,009	–
Provisions – non-current	1,205,763	–
Accrued salaries, wages and on-costs (note 13)	11,178	–
	1,541,950	**–**

(i) The value of annual leave, including on-costs, expected to be taken within 12 months is $49.233 million and $23.974 million after 12 months.
(ii) The value of long service leave expected to be taken within 12 months $27.320 million and $235.876 million after 12 months.
(iii) Workers' compensation provision includes $1.219 million for dust diseases of which $0.410 million is current. This provision is for claims from former Maritime Services Board (MSB) staff for dust related diseases that can be attributed to their service during the period 1 July 1989 – 30 June 1995 when the MSB was a self insurer.

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 other comprehensive income in the year they occur.

The following information has been prepared by the scheme actuary.

Superannuation position for AASB 119 purposes

	SASS 8 months to June 2012 $'000	SANCS 8 months to June 2012 $'000	SSS 8 months to June 2012 $'000	Total $'000
Accrued liability	638,096	94,825	1,467,891	2,200,812
Estimated reserve account balance	(414,170)	(61,375)	(538,747)	(1,014,292)
	223,926	33,450	929,144	1,186,520
Future service liability	(48,321)	(20,454)	(34,386)	(103,161)
Net (asset)/liability recognised in statement of financial position	**223,926**	**33,450**	**929,144**	**1,186,520**

Reconciliation of the present value of the defined benefit obligation

Present value of partly funded defined benefit obligation at part of net assets received from equity transfer	590,312	91,509	1,195,232	1,877,053
Current service cost	7,279	2,536	3,008	12,823
Interest cost	18,801	2,862	37,069	58,732
Contributions by fund participants	4,655	0	4,263	8,918
Actuarial (gains)/losses	62,929	6,324	269,791	339,044
Benefits paid	(45,880)	(8,406)	(41,471)	(95,757)
Present value of partly funded defined benefit obligation at the end of the period	**638,096**	**94,825**	**1,467,892**	**2,200,813**

Reconciliation of the fair value of fund assets

	SASS 8 months to June 2012 $'000	SANCS 8 months to June 2012 $'000	SSS 8 months to June 2012 $'000	Total $'000
Fair value of fund assets at the beginning of the period	439,808	65,361	558,593	1,063,762
Expected return on fund assets	24,248	3,728	31,833	59,809
Actuarial gains/(losses)	(14,061)	(1,662)	(14,806)	(30,529)
Employer contributions	5,400	2,354	335	8,089
Contributions by fund participants	4,655	0	4,263	8,918
Benefits paid	(45,880)	(8,406)	(41,471)	(95,757)
Fair value of fund assets at the end of the period	**414,170**	**61,375**	**538,747**	**1,014,292**

Reconciliation of the assets and liability recognised in the statement of financial position

Present value of partly funded defined benefits at end of the year	638,096	94,825	1,467,891	2,200,812
Fair value of fund assets at end of the year	(414,170)	(61,375)	(538,747)	(1,014,292)
Net (asset)/liability recognised in statement of financial position at the end of the period	**223,926**	**33,450**	**929,144**	**1,186,520**
Current service cost	7,278	2,536	3,008	12,822
Interest on obligation	18,801	2,862	37,069	58,732
Expected return on fund assets (net of expenses)	(24,248)	(3,728)	(31,833)	(59,809)
Expense/(income) recognised*	**1,831**	**1,670**	**8,244**	**11,745**

* A portion of this expense has been capitalised.

Amount recognised in other comprehensive income

Actuarial (gains)/losses	76,990	7,986	284,597	369,573

Cumulative amount recognised in other comprehensive income

	SASS financial year June 2012 $'000	SANCS financial year June 2012 $'000	SSS financial year June 2012 $'000	Total $'000
Actuarial (gains)/losses	238,673	33,064	665,175	936,912

Actual return on fund assets

	SASS 8 months to June 2012 $'000	SANCS 8 months to June 2012 $'000	SSS 8 months to June 2012 $'000	Total $'000
Actual return on fund assets	13,253	2,066	16,403	31,722

Fund assets

The percentage invested in each asset class at the balance date:

	June 2012
Australian equities	28.0%
Overseas equities	23.7%
Australian fixed interest securities	4.9%
Overseas fixed interest securities	2.4%
Property	8.6%
Cash	19.5%
Other	12.9%

Expected rate of return on assets

The expected return on assets assumption is determined by weighting the expected long-term return for each asset class by the target allocation of assets to each class. The returns used for each class are net of investment tax and investment fees.

Valuation method and principal actuarial assumptions at the reporting date

a. Valuation method

The Projected Unit Credit (PUC) 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

	June 2012
Salary increase rate (excluding promotional increases)	2.5% p.a.
Rate of CPI increase	2.5% p.a.
Expected rate of return on assets	8.6%
Discount rate	3.06% p.a.

Expected contributions

	SASS financial year June 2012 $'000	SANCS financial year June 2012 $'000	SSS financial year June 2012 $'000	Total $'000
Expected employer contributions to be paid in the next reporting period	7,724	3,276	1,293	12,293

Funding arrangements for employer contributions

The following is a summary of the 30 June 2012 financial position of the fund calculated in accordance with AAS 25 – *Financial Reporting by Superannuation Plans*.

	SASS 8 months to June 2012 $'000	SANCS 8 months to June 2012 $'000	SSS 8 months to June 2012 $'000	Total $'000
Accrued benefits	509,138	81,202	803,334	1,393,674
Net market value of fund assets	(414,170)	(61,375)	(538,747)	(1,014,292)
Net (surplus)/deficit	**94,968**	**19,827**	**264,587**	**379,382**

Recommended contribution rates for the entity are:

SASS	SANCS	SSS
Multiple of member contributions	% Member salary	Multiple of member contributions
1.90	2.50	0.93

Funded method

Contributions are set after discussion between the employer, STC and NSW Treasury.

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

Weighted-average assumptions	June 2012
Expected rate of return on fund assets backing current pension liabilities	8.3% p.a.
Expected rate of return on fund assets backing other liabilities	7.3% p.a.
Expected salary increase rate	4.0% p.a.
Expected rate of CPI increase	2.5% p.a.

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.

Provision for long service leave (LSL)

Long service leave is measured at present value in accordance with AASB 119 *Employee Benefits*. This is based on the application of the valuation ratio at the Commonwealth Government bond rate at the reporting date to all employees using current rates of pay. This ratio is determined based on an actuarial review to approximate present value.

The actuarial assessment is based on the accrued long service leave liabilities and employee data of RMS as at 31 March 2011. Long Service leave is accrued at the rate of 4.4 days per annum for the first 10 years of service and then at the rate of 11 days per annum.

Employees who exit with less than five years service get no benefits. Those who leave with between five and seven years service have been assumed to only receive benefits if exiting due to death, disability or age retirement. Benefits are paid in service or on exit after seven years service on a pro rata basis.

Assumptions:
An allowance has been determined for each relevant on-cost separately to the LSL liability, as their accounting treatment and the adoption of liability is different to the LSL liability. The on-costs to LSL present value liabilities are:

Payroll tax	5.45%
Superannuation	11.00%
Superannuation accruing while on LSL	4.40%

As workers' compensation is determined without direct reference to salary, and does not accrue while an employee is on long service leave, there is no future workers' compensation expense that will be incurred when currently accrued LSL is taken during future service, and hence there is no attaching on-cost. It has been assumed that six days of LSL will be taken per year by employees who are eligible.

General salary increases of 2.5 per cent per annum have been assumed for all future years, consistent with NSW Treasury expectations for the NSW public sector in the medium-term. Promotional salary increases have been assumed at rates based on RMS and NSW public sector promotional salary experience.

The rates of resignation, death, age retirement and ill-health retirement assumed have been adopted from superannuation valuations of NSW public servants. Withdrawal rates for those with less than 10 years of service are based on experience from NSW and other superannuation schemes.

The discount rate is based on the 10 year bond rate at 30 June 2012 but adjusted from a semi-annual rate to an annual rate.

17. Current/non-current liabilities – other

	Consolidated	Parent
	June 2012 $'000	June 2012 $'000
Current		
Statutory creditors	20,698	20,698
Unearned rent on M5 Motorway	680	680
Sydney Harbour Tunnel tax liabilities	1,919	1,919
Income received in advance	11,068	11,068
Holding accounts	94,463	94,463
Lease incentive	497	497
Deferred revenue – reimbursement on private sector provided infrastructure	12,179	12,179
Customer advances and deposits	714	714
Priority list on moorings	601	601
Wetland lease security deposits[a]	1,293	1,293
Rent in advance	2,959	2,959
Long-term channel fees unearned income	3,447	3,447
Boating fees in advance[b]	29,638	29,638
	180,156	**180,156**
Non-Current		
Unearned rent on M5 Motorways	6,898	6,898
Sydney Harbour Tunnel tax liabilities	23,688	23,688
Income received in advance	12,250	12,250
Lease incentive	1,534	1,534
Deferred revenue – reimbursement on private sector provided infrastructure	283,756	283,756
Boating fees in advance	14,237	14,237
Long-term channel fees unearned income	210,974	210,974
	553,337	**553,337**
Current		
Sydney Harbour Tunnel past tax liability	1,581	1,581
Sydney Harbour Tunnel future tax liability	338	338
	1,919	**1,919**
Non-current		
Sydney Harbour Tunnel past tax liability	12,059	12,059
Sydney Harbour Tunnel future tax liability	11,629	11,629
	23,688	**23,688**

(a) This amount mainly represents cash deposits, in lieu of bank guarantees, received from the developer of King Street Wharf, as security over the completion of specific stages of the construction project.
(b) Boating fees in advance comprises prepayments by customers for licences, registrations and moorings for the service component which will be provided by NSW Maritime in the future.

Unearned rent and deferred revenue on motorways

The land acquisition loan of $22.000 million, based on the cost of land under the M5 Motorway originally purchased by RMS, was repaid in June 1997 by the concession holder. 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 *Leases*, this revenue is brought to account over the period of the lease.

In consideration for the concession holder undertaking construction of an interchange at Moorebank (M5 Motorway Improvements) on the M5 Motorway, the original concession period (to 14 August 2022) has been extended to 22 August 2023.

	Consolidated	Parent
	June 2012 $'000	June 2012 $'000
Rent earned in prior period	13,969	13,969
Rent earned in current period	453	453
Unearned rent as at period end	7,578	7,578
	22,000	**22,000**

Under the various Private Sector Provided Infrastructure, $369.915 million was received following the letting of the Lane Cove Tunnel, Cross City Tunnel and Western M7 Motorway contracts as reimbursement of development costs. NSW Treasury has 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:

Amortisation of deferred revenue in prior period	65,861	65,861
Amortisation of deferred revenue in current period	8,119	8,119
Unearned reimbursement as at period end	295,935	295,935
	369,915	**369,915**

18. Commitments for expenditure

a. Capital commitments

Aggregate capital expenditure for the roadworks contracted for at balance date and not provided for:

Not later than 1 year	1,058,382	1,058,382
Later than 1 year and not later than 5 years	1,686,729	1,686,729
Later than 5 years	–	–
Total (including GST)	**2,745,111**	**2,745,111**

b. Other expenditure commitments

Aggregate other expenditure for the acquisition of goods and services contracted for at balance date and not provided for:

Not later than 1 year	502,819	502,819
Later than 1 year and not later than 5 years	303,888	303,888
Later than 5 years	219,377	219,377
Total (including GST)	**1,026,084**	**1,026,084**

c. Operating lease commitments

Operating lease commitments relate to property, 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
	June 2012 $'000	June 2012 $'000
Not later than 1 year	77,386	77,386
Later than 1 year and not later than 5 years	138,960	139,960
Later than 5 years	44,954	44,954
Total (including GST)	**261,300**	**261,300**

The property operating lease commitments are as follows:

Payable no later than 1 year	43,698	43,698
Payable later than 1 year and not later than 5 years	103,210	103,210
Payable later than 5 years	44,954	44,954
Total (including GST)	**191,862**	**191,862**

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

The light motor vehicle operating lease commitments are as follows:

Not later than 1 year	20,556	20,556
Later than 1 year and not later than 5 years	19,337	19,337
Total (including GST)	**39,893**	**39,893**

The light motor vehicle lease is with State Fleet Services and is financed through the Department of Service, Technology and Administration by the NSW Treasury.

The heavy motor vehicle and heavy plant vehicle operating lease commitments are as follows:

Not later than 1 year	6,352	6,352
Later than 1 year and not later than 5 years	12,339	12,339
Total (including GST)	**18,691**	**18,691**

The heavy motor vehicle lease is held and financed with Orix and Esanda.

Maritime operating commitments are as follows:

Not later than 1 year	6,779	6,779
Later than 1 year and not later than 5 years	4,074	4,074
Total (including GST)	**10,853**	**10,853**

Maritime commitments include grants to the National Marine Safety Committee, the Better Boating Program and Marine Rescue NSW.

The total commitments detailed above include GST input tax credits of $366.590 million that are expected to be recoverable from the ATO.

(d) Sydney Harbour Tunnel finance lease liability

	Consolidated	Parent
	June 2012 $'000	June 2012 $'000
Minimum lease payment commitments in relation to tunnel finance lease payable as follows:		
Not later than 1 year	83,662	83,662
Later than 1 year and not later than 5 years	250,222	250,222
Later than 5 years	514,824	514,824
Minimum lease payments	848,708	848,708
Less: future finance charges	(260,295)	(260,295)
Present value of minimum lease payments	**588,413**	**588,413**

The present value of finance lease commitments is as follows:

Not later than 1 year	40,623	40,623
Later than 1 year and not later than 5 years	141,860	141,860
Later than 5 years	405,930	405,930
	588,413	**588,413**

Classified as:

Current (note 14)	40,623	40,623
Non-current (note 14)	547,790	547,790
	588,413	**588,413**

In June 1987, RMS and Sydney Harbour Tunnel Corporation (SHTC) entered into an Ensured Revenue Stream (ERS) Agreement, whereby RMS agreed to make payments to SHTC to enable it to meet its financial obligations arising from the operation and maintenance of the tunnel and repayment of principal and interest on the funds it borrowed for the design and construction of the tunnel.

Following the guidelines set out in NSW Treasury Policy Paper 06–08 Accounting for Privately Financed Projects, RMS has accounted for the Sydney Harbour Tunnel and related ERS Agreement as a finance lease arrangement in accordance with the requirement's of AASB 117 *Leases*.

The carrying amount of the Sydney Harbour Tunnel finance lease liability has been calculated based on the present value of the minimum lease liability, discounted at the interest rate implicit in the ERS Agreement.

Contingent lease payments include increases in the ERS liability resulting from fluctuations in the weighted index component of the ERS Agreement (eg CPI fluctuations) and adjustments to the amount payable resulting from ERS clause 4.1(a) renegotiations such as GST on the tunnel tolls. Contingent lease payments are charged as expenses in the period they are incurred and amounted to $3.748 million for the period ending 30 June 2012.

e. Maritime Trade Tower – finance lease liability

	Consolidated	Parent
	June 2012 $'000	June 2012 $'000
Not later than 1 year	28,396	28,396
Minimum lease payments	28,396	28,396
Less: future finance charges	(3,266)	(3,266)
Present value of minimum lease payments	**25,130**	**25,130**

The present value of finance lease commitments is as follows:

Not later than 1 year	25,130	25,130
Total (including GST) (note 14)	**25,130**	**25,130**

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above borrowings are disclosed in note 15.

The borrowings relate to RMS' interest in the Martime Trade Tower. RMS owns the land and has granted a head-lease to the 4(x) companies. RMS subleases part of the property at 207 Kent from the head lessee. Final payment under the sub-lease is due on 14 March 2013.

19. Increase in net assets from equity transfer

Transfer of net assets

The *Transport Legislation Amendment Act 2011* abolished the RTA and its Division on 31 October 2011. It established two new entities: RMS and RMS Division.

Assets and liabilities of the former RTA and NSW Maritime were transferred to RMS during the year except for those assets and liabilities attributable to functions either transferred from or to other agencies as part of the establishment of RMS. The amount of these agency transfers included $21.7 million from the Department of Planning and Infrastructure, $1.6 million from Sydney Harbour Foreshore Authority, $0.2 million to National Parks and Wildlife and $1.0 million to Sydney Ports Corporation.

Net assets transferred were	$'000
Cash	.302,060
Other current assets	294,467
Non-current assets	62,443,969
Current liabilities	(1,187,278)
Non-current liabilities	(2,513,692)
	59,339,526

20. Events after the reporting date

No events have occurred after the reporting date that would have a material impact on the financial statements.

21. Contingent assets and contingent liabilities

AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* adopts a "prudent" approach and requires disclosure of each class of contingent liabilities and contingent assets.

There are several significant contractual disputes with an estimated total contingent liability of $34.679 million. Compulsory property acquisition matters under litigation have an estimated contingent liability of $52.223 million.

RMS 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 Orbital and the Lane Cove Tunnel. There is no reason to believe that these guarantees are ever to be exercised.

22. Native Title

The Commonwealth's legislation (*Native Title Act*) and the New South Wales statute (*Native Title (New South Wales) Act*) have financial implications for New South Wales Government agencies generally. RMS has undertaken an assessment of the impact of this legislation on its financial position. This assessment indicates that as at 30 June 2012, there were no Native Title claims which had been initiated against RMS.

23. Administered income and expenses

	Consolidated	Parent
	June 2012 $'000	June 2012 $'000
Administered income		
Transfer receipts		
– Taxes, fees and fines	347,420	347,420
– Stamp duty	402,560	402,560
– Motor vehicle weight tax and fines	1,040,798	1,040,798
– Other	21,667	21,667
Total administered income	**1,812,445**	**1,812,445**
Total administered expenses	**–**	**–**
Administered income less expenses	**1,812,445**	**1,812,445**

24. Administered assets and liabilities

Administered assets		
Remitting account, cash in transit and cash on hand	26,377	26,377
Total administered assets	**26,377**	**26,377**
Administered liabilities		
Holding accounts (current/non-current liabilities other)	26,377	26,377
Other*	279,061	279,061
Total administered liabilities	**305,438**	**305,438**

* The amount of multiple licence fees issued in the current year is approximately $124.498 million. The maximum period of licence is five years. First year licences are not deemed to be a liability. The outstanding liability above represents the remaining four years. Refer to note 1(e) for further details.

The holding accounts and remitting account balances above represent fees collected by RMS motor registries that have not been remitted to the third party they are being administered for (generally NSW Treasury).

25. Reconciliation of cash flows from operating activities to surplus for the eight months from continuing operations

Reconciliation of cash flows from operating activities to the Statement of Comprehensive Income.

	Consolidated	Parent
	June 2012 $'000	**June 2012 $'000**
Net cash from operating activities	2,042,697	2,042,697
Adjustments for revenues and expenses not involving cash:		
Net gain on disposal of plant and equipment	(8,856)	(8,856)
Right to receive on PSPI	102,276	102,276
Roads and bridges transferred from councils	7,279	7,279
Roads and bridges transferred to councils	(73,590)	(73,590)
Assets written down (note 4(b))	(172,903)	(172,903)
Assets written down – infrastructure assets	(111,020)	(111,020)
Depreciation/amortisation	(618,077)	(618,077)
Other non cash items	18,490	18,490
Non cash personnel services	–	(368,654)
	(856,401)	**(1,225,055)**
Adjustments for cash movement in operating assets and liabilities		
Increase/(decrease) in receivables	104,357	104,357
Increase/(decrease) in inventories	338	338
(Increase)/decrease in creditors	(193,035)	(193,035)
(Increase)/decrease in provisions*	(21,206)	(21,206)
	(109,546)	**(109,546)**
Net result for the period	**1,076,750**	**708,096**

* Excludes non-cash adjustments of $368.654 million relating to superannuation actuarial losses against employee provisions.

26. Non-cash financing and investing activities

Asset transfers and movements in asset valuations result in non-cash revenue and expense transactions. The financial effects of these transactions are listed below:

	Consolidated	Parent
	June 2012 $'000	**June 2012 $'000**
Non-cash revenue and expenses		
Transfers from councils	7,279	7,279
Transfers to councils	(73,590)	(73,590)
Assets written off	(172,903)	(172,903)
Assets written down – infrastructure assets	(111,020)	(111,020)
Right to receive on PSPI	102,276	102,276

27. Roads and Maritime Services – notional financial statements (12 months)

The *Transport Legislation Amendment Act 2011* abolished the RTA and NSW Maritime. The net assets of these two entities were transferred to RMS. In addition, although most of the functions of the former entities were also transferred, some functions were transferred to and from TfNSW. Notional financial statements have been prepared on the basis that RMS is its current form has always existed. The purpose of the notional statements is to provide a context for a notional assessment of RMS performance.

Information was sourced from financial information relating to RMS for the period 1 November 2011 to 30 June 2012 and to the former entities for the period 1 July 2011 to 31 October 2011 and the 2011 financial year. Financial information was amended to exclude the financial impact of those functions transferred to or from TfNSW. Consequently comparisons should not be made between the information disclosed in the notional financial statements and the financial statements of the former entities.

Statement of comprehensive income for the period 1 November 2011 to 30 June 2012

	RMS	
	Consolidated June 2012 $'000	Parent June 2012 $'000
Expenses excluding losses		
Operating expenses		
– Employee related expenses	598,751	579,430
– Other operating expenses	531,270	474,860
Maintenance	703,228	621,308
Depreciation and amortisation	909,515	864,465
Grants and subsidies	457,565	377,585
Finance costs	91,036	97,243
Total expenses excluding losses	**3,291,365**	**3,014,891**
Revenue		
Sale of goods and services	536,027	494,847
Personnel service revenue	71,067	–
Investment revenue	38,868	20,162
Operating grant received from TfNSW	1,863,702	1,693,334
Capital grant received from TfNSW	2,707,168	2,547,457
Other grants and contributions	38,556	141,904
Other revenue	208,476	217,490
Total revenue	**5,463,864**	**5,115,194**
Gains on disposal of property, plant and equipment	4,416	5,349
Other (losses)	(999,028)	(110,018)
Net result	**1,177,887**	**1,995,634**
Other comprehensive income		
Net increase/(decrease) in asset revaluation reserve	(596,692)	(384,813)
Superannuation actuarial gains/(losses)	(545,543)	(553)
Total other comprehensive income for the period	**(1,142,235)**	**(385,366)**
Total comprehensive income	**35,652**	**1,610,268**

Statement of financial position as at 30 June 2012

	RMS	
	Consolidated June 2012 $'000	Parent June 2012 $'000
Assets		
Current assets		
Cash and cash equivalents	462,880	366,436
Receivables	355,324	176,950
Inventories	11,806	12,641
Financial assets at fair value	48,106	43,740
	878,116	599,767
Non-current assets classified as held for sale	22,525	44,469
Total current assets	**900,641**	**644,236**
Non-current assets		
Receivables	6,167	30,955
Other financial assets	144,342	121,899
Property, plant and equipment		
– Land and buildings	2,741,395	3,365,430
– Plant and equipment	141,082	206,614
– Infrastructure systems	61,490,361	60,624,102
Total property, plant and equipment	64,372,838	64,196,146
Private sector provided infrastructure	818,656	665,242
Intangible assets	136,448	46,854
Investment property	129,466	132,289
Total non-current assets	**65,607,917**	**65,193,385**
Total assets	**66,508,558**	**65,837,621**
Liabilities		
Current liabilities		
Payables	888,435	731,918
Borrowings	70,736	156,716
Provisions	337,096	291,070
Other	180,156	178,510
Total current liabilities	**1,476,424**	**1,358,214**
Non-current liabilities		
Borrowings	1,043,163	1,092,159
Provisions	1,216,204	651,732
Other	553,337	573,678
Total non-current liabilities	**2,812,704**	**2,317,569**
Total liabilities	**4,289,127**	**3,675,783**
Net assets	**62,219,431**	**62,161,838**
Equity		
Reserves	31,220,569	31,849,462
Accumulated funds	30,998,862	30,312,376
Total equity	**62,219,431**	**62,161,838**

Statement of changes in equity for the year end 30 June 2012

	RMS			RMS		
	Accumulated funds June 2012 $'000	Asset revaluation reserve June 2012 $'000	Total equity June 2012 $'000	Accumulated funds June 2011 $'000	Asset revaluation reserve June 2011 $'000	Total equity June 2011 $'000
Balance at 1 July 2011	**30,312,376**	**31,849,462**	**62,161,838**	**28,075,242**	**32,287,271**	**60,362,513**
Net result for the period	**1,177,887**	**–**	**1,177,887**	**1,995,634**	**–**	**1,995,634**
Other comprehensive income						
Net (decrease) in asset revaluation reserves	–	(596,692)	(596,692)	–	(384,813)	(384,813)
Superannuation actuarial (losses)	(545,543)	–	(545,543)	(553)	0	(553)
Other comprehensive income for the period	**(545,543)**	**(596,692)**	**(1,142,235)**	**(553)**	**(384,813)**	**(385,366)**
Total comprehensive income for the period	**632,344**	**(596,692)**	**35,652**	**1,995,081**	**(384,813)**	**1,610,268**
Transfers within equity						
Transferred to accumulated funds on disposal of assets	32,201	(32,201	–	52,996	(52,996)	–
Transactions with owners in their capacity as owners	–	–	–	–	–	–
Increase/(decrease) in net assets from equity transfers	21,941	–	21,941	189,057	–	189,057
Balance at 30 June 2012	**30,998,862**	**31,220,569**	**62,219,431**	**30,312,376**	**31,849,462**	**62,161,838**

Statement of cash flows
for the year end 30 June 2012

	RMS	
	Consolidated June 2012 $'000	Parent June 2012 $'000
Cash flows from operating activities		
Payments		
Employee related	(584,197)	(627,875)
Grants and subsidies	(356,246)	(326,112)
Finance costs	(60,781)	(87,651)
Others	(1,651,677)	(1,451,275)
Total payments	**(2,652,901)**	**(2,492,913)**
Receipts		
Sale of goods and services	605,680	602,901
Interest received	17,451	20,047
Operating grants received from TfNSW	1,857,901	1,693,334
Capital grants received from TfNSW	2,705,508	2,547,457
Others	473,676	395,340
Total receipts	**5,660,216**	**5,259,079**
Net cash flows from operating activities	**3,007,315**	**2,766,166**
Cash flows from investing activities		
Proceeds from sale of land and buildings, plant and equipment and infrastructure systems	30,834	35,981
Purchases of land and buildings, plant and equipment and infrastructure systems	(2,768,539)	(2,504,468)
Receipt of lease revenue from maritime trade tower lease	–	21,012
Net cash flows from investing activities	**(2,737,705)**	**(2,447,475)**
Cash flows from financing activities		
Contribution paid to government	(4,000)	(4,000)
Payment of finance lease liabilities	(63,210)	(54,653)
Repayment of borrowings and advances	(101,591)	(91,062)
Net cash flows from financing activities	**(168,801)**	**(149,715)**
Net (decrease)/increase in cash	**100,809**	**168,976**
Opening cash and cash equivalents	410,175	241,199
Closing cash and cash equivalents	**510,986**	**410,175**

Service group statements
for the period 1 November 2011 to 30 June 2012

RMS expenses and income	Transport infrastructure and development*	Integrated transport planning and management*	Integrated transport service delivery*	Not attributable	Total
	June 2012 $'000	June 2012 $'000	June 2012 $'000	June 2012 $'000	June 2012 $'000
Expenses excluding losses					
Operating expenses					
– Employee related expenses	7,881	262,123	328,747	–	598,751
– Other operating expenses	–	–	531,270	–	531,270
Maintenance	–	703,228	–	–	703,228
Depreciation and amortisation	–	–	909,515	–	909,515
Grants and subsidies	–	442,170	15,395	–	457,565
Finance costs	–	–	91,036	–	91,036
Total expenses excluding losses	**7,881**	**1,407,521**	**1,875,963**	**–**	**3,291,365**
Revenue					
Sale of goods and services	219,542	267,649	48,836	–	536,027
Personal services revenue	935	31,112	39,020	–	71,067
Investment revenue	15,919	19,408	3,541	–	38,868
Operating grant received from TfNSW	13,588	1,729,198	120,916	–	1,863,702
Capital grant received from TfNSW	2,114,370	555,830	36,968	–	2,707,168
Other grants and contributions	15,791	19,252	3,513	–	38,556
Other revenue	85,387	104,096	18,993	–	208,476
Total revenue	**2,465,532**	**2,726,545**	**271,787**	**–**	**5,463,864**
Gains on disposal of property, plant and equipment	1,809	2,205	402	–	4,416
Other (losses)	(409,174)	(498,836)	(91,018)	–	(999,028)
Net result	**2,050,286**	**822,393**	**(1,694,792)**	**–**	**1,177,887**
Other comprehensive income					
Net increase/(decrease) in asset revaluation reserve	(244,389)	(297,941)	(54,362)	–	(596,692)
Superannuation actuarial gains/(losses)	(223,439)	(272,401)	(49,703)	–	(545,543)
Total other comprehensive income for the period	**(467,828)**	**(570,342)**	**(104,065)**	**–**	**(1,142,235)**
Total comprehensive income	**1,582,458**	**252,051**	**(1,798,857)**		**35,652**

Administered expenses and income	Transport infrastructure and development	Integrated transport planning and management	Integrated transport service delivery	Not attributable	Total
	June 2012 $'000	June 2012 $'000	June 2012 $'000	June 2012 $'000	June 2012 $'000
Administered expenses					
Transfer payments	–	–	–	–	–
Other	–	–	–	–	–
Total administered expenses	**–**	**–**	**–**	**–**	**–**
Administered income					
Transfer receipts	–	–	–	–	–
Consolidated fund	–	–	–	–	–
– Taxes, fees and fines	–	–	–	515,541	515,541
– Other	–	–	–	2,202,349	2,202,349
Total administered income	**–**	**–**	**–**	**2,717,890**	**2,717,890**
Administered income less expenses	**–**	**–**	**–**	**2,717,890**	**2,717,890**

RMS assets and liabilities	Transport infrastructure and development	Integrated transport planning and management	Integrated transport service delivery	Not attributable	Total
	June 2012 $'000	June 2012 $'000	June 2012 $'000	June 2012 $'000	June 2012 $'000
Current assets					
Cash and cash equivalents	–	115,720	347,160	–	462,880
Receivables	23,,559	267,288	64,477	–	355,324
Inventories	–	11,216	590	–	11,806
Financial asset at fair value	–	48,064	42	–	48,106
Non-current assets classified as held for sale	–	22,525	–	–	22,525
Total current assets	**23,559**	**464,813**	**412,269**	**–**	**900,641**
Non-current assets					
Receivables	409	4,639	1,119	–	6,167
Other financial assets	–	144,342	–	–	144,342
Property, plant and equipment					
– Land and buildings	–	2,446,602	294,793	–	2,741,395
– Plant and equipment	–	37,340	103,742	–	141,082
– Infrastructure systems	1,874,241	59,593,808	22,312	–	61,490,361
Private sector provided infrastructure	–	818,656	–	–	818,656
Intangible assets	–	136,448	–	–	136,448
Investment property	–	129,466	–	–	129,466
Total non-current assets	**1,874,650**	**63,311,301**	**421,966**	**–**	**65,607,917**
Total assets	**1,898,209**	**63,776,114**	**834,235**	**–**	**66,508,558**
Liabilities					
Current liabilities					
Payables	544,366	207,353	136,716	–	888,435
Borrowings	43,342	16,510	10,884	–	70,736
Provisions	206,547	78,675	51,874	–	337,096
Other	110,386	42,047	27,723	–	180,156
Total current liabilities	**904,641**	**344,585**	**227,197**	**–**	**1,476,423**
Non-current liabilities					
Borrowings	639,172	243,465	160,526	–	1,043,163
Provisions	745,198	283,852	187,154	–	1,216,204
Other	339,043	129,144	85,150	–	553,337
Total non-current liabilities	**1,723,413**	**656,461**	**432,830**	**–**	**2,812,704**
Total liabilities	**2,628,054**	**1,001,046**	**660,027**		**4,289,127**
Net assets	**(729,845)**	**62,775,068**	**174,208**		**62,219,431**

Service group statements for the year end 30 June 2011

RMS expenses and income	Transport infrastructure and development•	Integrated transport planning and management•	Integrated transport service delivery•	Not attributable	Total
	June 2011 $'000	June 2011 $'000	June 2011 $'000	June 2011 $'000	June 2011 $'000
Expenses excluding losses					
Operating expenses					
– Employee related expenses	7,626	253,666	318,138	–	579,430
– Other operating expenses	–	–	474,860	–	474,860
Maintenance	–	621,308	–	–	621,308
Depreciation and amortisation	–	–	864,465	–	864,465
Grants and subsidies	–	364,880	12,705	–	377,585
Finance costs	–	–	97,243	–	97,243
Total expenses excluding losses	**7,626**	**1,239,854**	**1,767,411**	**–**	**3,014,891**
Revenue					
Sale of goods and services	202,676	247,087	45,084	–	494,847
Personal services revenue	–	–	–	–	0
Investment revenue	8,257	10,068	1,837	–	20,162
Operating grant received from TfNSW	12,346	1,571,125	109,863	–	1,693,334
Capital grant received from TfNSW	1,989,632	523,038	34,787	–	2,547,457
Other grants and contributions	58,120	70,856	12,928	–	141,904
Other revenue	89,078	108,597	19,815	–	217,490
Total revenue	**2,360,109**	**2,530,771**	**224,314**	**–**	**5,115,194**
Gains on disposal of property, plant and equipment	2,191	2,671	487	–	5,350
Other (losses)	(45,060)	(54,934)	(10,023)	–	(110,018)
Net result	**2,309,613**	**1,238,654**	**(1,552,633)**	**–**	**1,995,634**
Other comprehensive income					
Net increase/(decrease) in asset revaluation reserve	(157,609)	(192,145)	(35,059)	–	(384,813)
Superannuation actuarial gains/(losses)	(226)	(276)	(51)	–	(553)
Total other comprehensive income for the period	(157,835)	(192,421)	(35,110)	–	(385,366)
Total comprehensive income	**2,151,778**	**1,046,233**	**(1,587,743)**	**–**	**1,610,268**

Administered expenses and income	Transport infrastructure and development	Integrated transport planning and management	Integrated transport service delivery	Not attributable	Total
	June 2011 $'000	June 2011 $'000	June 2011 $'000	June 2011 $'000	June 2011 $'000
Administered expenses					
Transfer payments	–	–	–	–	–
Other	–	–	–	–	–
Total administered expenses	**–**	**–**	**–**	**–**	**–**
Administered income					
Transfer receipts					
Consolidated fund	–	–	–	–	–
– Taxes, fees and fines	–	–	–	479,218	479,218
– Other	–	–	–	2,105,591	2,105,591
Total administered income	**–**	**–**	**–**	**2,584,809**	**2,584,809**
Administered income less expenses	**–**	**–**	**–**	**2,584,809**	**2,584,809**

RMS assets and liabilities	Transport infrastructure and development	Integrated transport planning and management	Integrated transport service delivery	Not attributable	Total
	June 2011 $'000	June 2011 $'000	June 2011 $'000	June 2011 $'000	June 2011 $'000
Current assets					
Cash and cash equivalents	–	91,609	274,827	–	366,436
Receivables	11,733	133,109	32,108	–	176,950
Inventories	–	12,009	632	–	12,641
Non-current assets classified as held for sale	–	44,469	–	–	44,469
Other financial assets	–	43,701	39	–	43,740
Total current assets	**11,733**	**324,897**	**307,606**		**644,236**
Non-current assets					
Receivables	2,052	23,286	5,617	–	30,955
Other financial assets	–	121,899	–	–	121,899
Property, plant and equipment					
– Land and buildings	–	3,003,532	361,898	–	3,365,430
– Plant and equipment	–	54,684	151,930	–	206,614
– Infrastructure systems	1,847,837	58,754,267	21,998	–	60,624,102
Private sector provided infrastructure	–	665,242	–	–	665,242
Intangible assets	–	46,854	–	–	46,854
Investment property	–	132,289	–	–	132,289
Total non-current assets	**1,849,889**	**62,802,053**	**541,443**	**–**	**65,193,385**
Total assets	**1,861,622**	**63,126,950**	**849,049**	**–**	**65,837,621**
Liabilities					
Current liabilities					
Payables	448,464	170,824	112,630	–	731,918
Borrowings	96,024	36,576	24,116	–	156,716
Provisions	178,346	67,933	44,791	–	291,070
Other	109,377	41,663	27,470	–	178,510
Total current liabilities	**832,211**	**316,996**	**209,007**	**–**	**1,358,214**
Non-current liabilities					
Borrowings	669,193	254,901	168,065	–	1,092,159
Provisions	399,332	152,109	100,291	–	651,732
Other	351,507	133,891	88,280	–	573,678
Total non-current liabilities	**1,420,032**	**540,901**	**356,636**	**–**	**2,317,569**
Total liabilities	**2,252,243**	**857,897**	**565,643**	**–**	**3,675,783**
Net assets	**(390,621)**	**62,269,053**	**283,406**	**–**	**62,161,838**

End of audited financial statements.

Independent audit report (page 1)

INDEPENDENT AUDITOR'S REPORT

Roads and Maritime Services Division

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the Roads and Maritime Services Division (the Division), which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the period 1 November 2011 to 30 June 2012, notes comprising a summary of significant accounting policies and other explanatory information.

Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Division as at 30 June 2012, and of its financial performance and its cash flows for the period 1 November 2011 to 30 June 2012 in accordance with Australian Accounting Standards
- are in accordance with section 41B of *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

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

Chief Executive's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the financial statements that give a true and fair view 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 controls. 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 statements.

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

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Independent audit report (page 2)

My opinion does *not* provide assurance:

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

Independence

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

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

Peter Achterstraat

Peter Achterstraat
Auditor-General

27 September 2012
SYDNEY

Chief Executive statement

ROADS AND MARITIME SERVICES DIVISION

FOR THE PERIOD 1 NOVEMBER 2011 TO 30 JUNE 2012

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 and notes thereto exhibit a true and fair view of Road and Maritime Services Division's financial position as at 30 June 2012 and financial performance for the period 1 November 2011 to 30 June 2012.

2. The statements have been prepared in accordance with the provisions of applicable Accounting Standards (which include Australian Accounting Interpretations), the Public Finance and Audit Act 1983, the Public Finance and Audit Regulation 2010, 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.

Peter Duncan
Chief Executive
26 September 2012

Paul Hesford
Director, Corporate
26 September 2012

Financial statements

Statement of comprehensive income
for the period 1 November 2011 to 30 June 2012

	Notes	June 2012 $'000
Expenses excluding loss		
Employee related expenses	6	629,892
Total expenses excluding losses		**629,892**
Revenue		
Personnel services		998,546
Total revenue		**998,546**
Net result		**368,654**
Other comprehensive income for the period		
Superannuation actuarial gains/(losses)		(368,654)
Total comprehensive income for the period		**-**

The accompanying notes form part of these financial statements.

Statement of financial position
as at 30 June 2012

	Notes	June 2012 $'000
Assets		
Current assets		
Receivables	2	1,696,144
Total current assets		**1,696,144**
Total assets		**1,696,144**
Liabilities		
Current liabilities		
Payables	3(a)	165,373
Employee benefits provisions	3(b)	325,008
Total current liabilities		**490,381**
Non-current liabilities		
Employee benefits provisions	3(c)	1,205,763
Total non-current liabilities		**1,205,763**
Total liabilities		**1,696,144**
Net assets		**–**
Equity		
Accumulated funds		–
Total equity		**–**

The accompanying notes form part of these financial statements.

Statement of changes in equity
for the period ended 30 June 2012

	June 2012 $'000
Balance at beginning of the period	**–**
Surplus/(deficit) for the period	**368,654**
Other Comprehensive Income	
Superannuation Actuarial Gains/(Losses)	(368,654)
Total comprehensive income for the period	**–**
Increase/(decrease) in net assets from equity transfers	**–**
Balance at 30 June 2012	**–**

The accompanying notes form part of these financial statements.

Statement of cash flows
for the period ended 1 November 2011 to 30 June 2012

	June 2012 $'000
Cash flows from operating activities	
Payments	
Payments to suppliers and employees	–
Total payments	**–**
Receipts	
Receipts from customers	–
Total receipts	**–**
Net cash flows from operating activities	**–**
Cash flows from investing activities	**–**
Cash flows from financing activities	**–**
Net increase/(decrease) in cash	–
Opening cash and cash equivalents	–
Cash transferred in as a result of administrative restructuring	–
Closing cash and cash equivalents	**–**

The accompanying notes form part of these financial statements.

Notes to and forming part of the financial statements of RMS Division for the period 1 November 2011 to 30 June 2012

1. Summary of significant accounting policies

a. Reporting entity

The *Transport Legislation Amendment Act 2011* was proclaimed on 1 November 2011. As a result of that Act the RTA and NSW Maritime, together with their associated entities, were abolished on 31 October 2011 with all assets and liabilities as at that date transferring to new entities created under the Act. Those new entities are RMS and RMS Division.

RMS Division's objective is to provide personnel services to RMS.

These financial statements have been authorised for issue by the Chief Executive of RMS at the date that the accompanying statement under s.41C(IC) of the *Public Finance and Audit Act 1983* was signed.

b. Basis of preparation

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

- Applicable Australian Accounting Standards (including Australian Accounting Interpretations).
- The requirements of the *Public Finance and Audit Act 1983* (PFAA).
- The *Public Finance and Audit Regulation 2010*.
- Specific directions issued by the NSW Treasurer.

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

Generally, the historical cost basis of accounting has been adopted and the financial report does not take into account changing money values or current valuations. However, certain provisions are measured at fair value. See note 1(h).

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 ($'000) and are expressed in Australian currency.

c. New and revised accounting standards and interpretations

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted for the financial reporting period ended 30 June 2012. The RMS Division's assessment of the impact of these new standards and interpretations is set out below:

Standard	Summary of key requirements/changes	Applicable to annual reporting periods beginning on or after	Impact on reporting entity's financial statements
AASB 9 *Financial Instruments* and AASB 2010–7 *Amendments to Australian Accounting Standards arising from AASB 9*	AASB 9 introduces new requirements for the classification, measurement and derecognition of financial assets and financial liabilities. It was further amended by AASB 2010–7 to reflect amendments to accounting for financial liabilities. Financial assets and financial liabilities can be designated and measured at fair value. The existing four category approach to measurement after initial recognition will be reduced to two categories – either amortised cost or fair value.	The IASB has deferred the effective date of this standard to 1 January 2015. It is expected that AASB will also make a similar amendment.	On initial application of AASB 9, all existing financial instruments will need to be classified according to the AASB 9 criteria and transitional requirements. The impact on the reporting entity's accounting for financial assets and liabilities is not expected to be significant.
AASB 10 *Consolidated Financial Statements*	AASB 10 supersedes AASB 127. It introduces a new principles-based control model that focuses on both power and rights or exposure to variable returns. The Standard requires the parent entity to present consolidated financial statements as those of a single economic entity, replacing the requirements of AASB 127 *Consolidated and Separate Financial Statements*.	1 July 2013	The new definition of control is not expected to impact on the reporting entity. The concept of "single economic entity" may impact on the format of the consolidated financial statements unless modifications are made for public sector entities.
AASB 11 *Joint Arrangements*	Under AASB 11 the focus is no longer on the legal structure of joint arrangements (which determined the accounting) but rather on how rights and obligations are shared by the joint venture parties (the underlying economics). A joint venture will be classified as either a joint operation or joint venture. The standard also replaces and alters the existing method of accounting for joint ventures under AASB 131 *Interests in Joint Ventures*.	1 July 2013	The impact on the reporting entity's financial statements is expected to be insignificant due to the absence of material joint arrangements.
AASB 12 *Disclosure of Interests in other Entities*	AASB 12 focuses on disclosures that would help users better assess the nature and financial effects of an entity's involvement with other entities and particularly enhances disclosures about consolidated entities and unconsolidated (off balance sheet) structured entities. The standard sets out the required disclosures for entities reporting under AASB 10 and AASB 11 and replaces the disclosure requirements of AASB 128 *Investment in Associates*.	1 January 2013	Application of the standard will not affect any of the amounts recognised in the consolidated financial statements. However, it may impact on the type of information disclosed. The AASB may modify the standard "for application by not-for-profit entities".
AASB 13 *Fair Value Measurement* and AASB 2011–8.	The Standard defines fair value, establishes a single framework or guidance for the measuring of fair value and requires enhanced disclosures about fair value measurements. AASB 13 applies when another standard requires or permits fair value measurements or disclosures. The standard establishes a 3 tier "fair value hierarchy".	1 January 2013	The reporting entity's major assets – property, plant and equipment and investment properties are recognised at fair value. It is not possible at this stage to determine the impact if any of the new rules on any of the amounts recognised in the consolidated financial statements.

Standard	Summary of key requirements/changes	Applicable to annual reporting periods beginning on or after	Impact on reporting entity's financial statements
AASB 119 *Employee Benefits* AASB 2011–10 and AASB 2011–11	This Standard will mainly impact the accounting for defined benefit pension schemes. The corridor approach for the recognition of actuarial gains and losses has been removed, as has the option to recognise actuarial gains and losses in profit or loss. The impact of this is that all actuarial gains and losses will be recognised in other comprehensive income in the period in which they arise. In addition, the calculation of net interest cost has changed. There will no longer be separate calculations of the expected return on plan assets and the interest cost of funding the defined benefit obligation. Instead, a single rate is applied to the net of the defined benefit obligation and plan assets.	1 January 2013 with retrospective implementation as per AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.	The requirements for measurement of employer liabilities and assets arising from defined benefit plans, and the measurement and presentation of changes in such liabilities and assets, are substantially different under the revised AASB 119. It is not possible at this stage to determine the impact of this new Standard on the consolidated financial statements.
AASB 127 *Separate Financial Statements*	AASB 127 *Consolidated and Separate Financial Statements* has been renamed Separate Financial Statements. The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements (in addition to consolidated financial statements). The Standard requires that when an entity prepares separate financial statements, investments in subsidiaries, associates and jointly controlled entities are accounted for either at cost or in accordance with AASB 9 *Financial Instruments*. The Standard also deals with the recognition of dividends, certain group reorganisations and includes a number of disclosure requirements.	1 July 2013	The AASB may modify the application of this standard to the not-for-profit entities. As such it is not practical to assess the impact of its application on the reporting entity's consolidated financial statements.
AASB 128 *Investments in Associates and Joint ventures*	This Standard supersedes AASB 128 Investments in Associates and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The Standard defines "significant influence" and provides guidance on how the equity method of accounting is to be applied. It also prescribes how investments in associates and joint ventures should be tested for impairment.	1 July 2013	The impact on the reporting entity's financial statements is expected to be insignificant.
AASB 1053 and AASB 2010–2 regarding differential reporting	AASB 1053 establishes a two tier differential reporting framework for those entities that prepare general purpose financial statements. Tier 1 or full compliance with AASB and Tier 2 or Reduced Disclosure Requirements. Tier 2, therefore requires fewer disclosures than Tier 1.	1 July 2013	This Standard will not impact on the reporting entity's financial statements which will continue to be prepared in accordance with Financial Reporting Code for NSW General Government Sector Entities (Tier 1).
AASB 2010–8 regarding deferred tax	The amendments in AASB 2010–8 relate to the measurement of deferred tax assets and deferred tax liabilities that arise from investment property being measured at fair value.	1 July 2013	There is no impact on the reporting entity's financial statements as the controlled entity that owns investment properties is not subject to income tax regime.

Standard	Summary of key requirements/changes	Applicable to annual reporting periods beginning on or after	Impact on reporting entity's financial statements
AASB 2010–10 *regarding removal of fixed dates for first time adopters*	AASB 2010–10 amendments affect AASB 1 *First Time Adoption of Australian Accounting Standards* and provide relief for first-time adopters of Australian Accounting Standards from having to reconstruct transactions that occurred before their transition to Australian Accounting Standards.	1 July 2013	The Standard has no impact on the reporting entity's consolidated financial statements as the group entities made the transition to AEIFRS in 2005–06.
AASB 2011–3 *Amendments to Australian Accounting Standards – Orderly Adoption of Changes* to the ABS GFS *Manual and Related Amendments* (AASB 1049 and AASB 2011–13)	AASB 1049 is part of the Australian Accounting Standards Board's (AASB) work to achieve the Financial Reporting Council's strategic direction to harmonise the Government Finance Statistics (GFS) and Generally Accepted Accounting Principles (GAAP) reporting by an Australian Accounting Standard for a single set of government reports that are comparable with budget statements. The reporting of the GFS is in accordance with the Australian Bureau of Statistics GFS Manual. AASB 2011–13 amends some of the requirements in AASB 1049 Whole of Government and General Government Sector Financial Reporting to improve that standard at an operational level.	1 July 2013	The impact on the reporting entity's financial statements is expected to be insignificant.
AASB 2011–4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements*	Amends AASB 124 Related Party Disclosures to remove the individual key management personnel (KMP) disclosures required by Australian specific paragraphs. Such disclosures are more in the nature of governance disclosures that are better dealt with as part of the *Corporations Act 2001*.	1 July 2013	The impact on the reporting entity's financial statements is expected to be insignificant.
AASB 2011–9 *Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income*	AASB 2011–9 made changes to AASB 101 *Presentation of Financial Statements*. The only significant impact will be that, in the Statement of Comprehensive Income, items within the "Other Comprehensive Income" section will need to be presented in two sub-sections, based on whether they may be recycled to net result in the future. Whether or not subsequent reclassification is possible depends on the requirements or conditions in the accounting standard/interpretation that relates to the item concerned. This will not affect the measurement of any of the items.	1 July 2012	The impact on the reporting entity's financial statements is expected to be insignificant.
AASB 2011–13 *Amendments to Australian Accounting Standard – Improvements to AASB 1049*	Amends some of the requirements in AASB 1049 *Whole of Government and General Government Sector Financial Reporting* to improve that Standard at an operational level.	1 July 2012	This Standard will not impact on the reporting entity's financial statements which will continue to be prepared in accordance with Financial Reporting Code for NSW General Government Sector Entities (Tier 1).

Standard	Summary of key requirements/changes	Applicable to annual reporting periods beginning on or after	Impact on reporting entity's financial statements
AASB 2012–1 *Amendments to Australian Accounting Standards – Fair Value Measurement – Reduced Disclosure Requirmenyts*	This Standard establishes and amends reduced disclosure requirements for entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements for additional and amended disclosures arising from AASB 13 and the consequential amendments implemented through AASB 2011–8.	1 July 2013	This Standard will not impact on the reporting entity's financial statements which will continue to be prepared in accordance with Financial Reporting Code for NSW General Government Sector Entities (Tier 1).
AASB 2012–2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities*	This Standard amends the required disclosures in AASB 7 to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.	1 July 2013	The impact on the reporting entity's financial statements is expected to be insignificant.
AASB 2012–3 *Amendments To Australian Accounting Standards – Offsetting Financial Assets And Financial Liabilities*	This Standard adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	1 July 2013	The impact on the reporting entity's financial statements is expected to be insignificant.
AASB 2012–4 *Amendments to Australian Accounting Standards – Government Loans*	This Standard adds an exception to the retrospective application of Australian Accounting Standards to require that first-time adopters apply the requirements in AASB 139 *Financial Instruments: Recognition and Measurement* (or AASB 9 *Financial Instruments*) and AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance* prospectively to government loans existing at the date of transition to Australian Accounting Standards.	1 July 2013	The impact on the reporting entity's financial statements is expected to be insignificant.
AASB 2012–5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle*	This Standard makes amendments to the Australian Accounting Standards and Interpretation listed in paragraph 1 of the Standard. These amendments are a consequence of the annual improvements process, which provides a vehicle for making non-urgent but necessary amendments to Standards. These amendments result from proposals that were included in Exposure Draft ED 213 *Improvements to IFRSs* published in July 2011 and follow the issuance of *Annual Improvements to IFRSs 2009–2011 Cycle* issued by the International Accounting Standards Board in May 2012.	1 July 2013	The Standard makes minor changes, primarily further clarifications and descriptions, to a number of other Australian Accounting Standards. The impact on the reporting entity's financial statements is expected to be minor.

RMS Division has also reviewed the following accounting standards and interpretations and concluded that they are not applicable to RMS Division financial statements:

- AASB 2010–10 *Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters*.
- AASB 2011–6 *Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation – Reduced Disclosure Requirements*.
- AASB 2011–7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards.*

d. Income recognition

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.

e. Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash on hand, cash at bank and short-term deposits and include deposits in the NSW TCorp Hour-Glass cash facility, Treasury Corporation deposits (with maturities of less than 30 days) and other at-call deposits that are not quoted in an active market. These are considered to have an insignificant risk of changes in value. Bank overdrafts are included within liabilities.

In accordance with AASB139 *Financial Instruments: Recognition and Measurement,* cash and cash equivalents are measured at fair value with interest revenue accrued as earned such that fair value is reflected at no less than the amount payable on demand.

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

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 Division 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 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 benefits provisions and expenses

i. Salaries and wages, annual leave, sick leave and on-costs

Liabilities for salaries and wages (including non-monetary benefits), annual leave and paid sick leave that fall due wholly within 12 months of the reporting date, 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 based on the amounts expected to be paid when the liabilities are settled.

Long-term annual leave that is not expected to be taken within 12 months is measured at present value in accordance with AASB 119 *Employee Benefits*. Market yields on 10 year government bonds are used to discount long-term annual leave.

Sick leave accrued by employees of the Division 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 increase on salaries and wages.

ii. Long service leave and superannuation

The Division assumes the long service leave liability for all employees and all superannuation liabilities. These liabilities are recognised in the Statement of Financial Position. Long service leave is measured at present value in accordance with AASB 119 *Employee Benefits*. This is based on the application of the valuation ratio at the 10 year Commonwealth Government Bond rate at the reporting date, using current rates of pay. This ratio is determined based on an actuarial review to approximate present value.

In accordance with AASB 101 *Presentation of Financial Statements*, all annual leave and unconditional long service leave are classified as current liabilities, even where the authority does not expect to settle the liability within 12 months. This does not necessarily align with the distinction between short-term and long-term employee benefits under AASB 119 *Employee Benefits*.

Defined contribution plans
Contributions to defined contribution superannuation plans are expensed when incurred.

Defined benefit plans

For defined benefit plans, actuarial valuations are carried out at each reporting date by Pillar Administration and the actuarial superannuation gains and losses are recognised outside operating surplus in the Statement of Changes in Equity in the period in which they occur.

The defined benefit position recognised in the Statement of Financial Position represents the present value of the defined benefit obligation, adjusted for unrecognised past service costs, net of the fair value of the plan assets.

i. Comparative information

The Financial Statements as at 30 June 2012 are the first financial statements for the Division. Consequently no comparative information for prior periods has been provided.

j. Critical accounting estimates, judgements and assumptions

In the application of accounting standards, management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the current set of circumstances. Actual results may differ from these estimates.

Management evaluates these judgements, estimates and assumptions on an ongoing basis. Revisions to estimates are recognised in the period in which the estimate is revised if the revision effects only that period or in the period of the revision and future periods if the revision effects both current and future periods.

Significant judgements, estimates and assumptions made by management in the preparation of the consolidated financial statements are outlined below:

Employee benefits	Note 1 (h) and note 3

2. Current assets

Receivables – current	June 2012 $'000
Personnel services receivable	**1,696,144**

3. Current liabilities/non-current liabilities

a. Payables – current

Accrued expenses	11,178
Gst payable	154,195
	165,373

b. Provisions – current

Annual leave and related on-costs (i)	73,207
Long service leave and related on-costs (ii)	247,403
Provision for workers' compensation (iii)	4,398
	325,008

c. Provisions – non-current

Superannuation – provision	1,186,520
Superannuation – accrued	726
Long service leave and related on-costs	15,792
Provision for workers' compensation	2,725
	1,205,763

d. Aggregate employee benefits and related on-costs

Provisions – current	325,008
Provisions – non-current	1,205,763
Accrued salaries, wages and on-costs	11,178
	1,541,949

(i) The value of annual leave, including on-costs, expected to be taken within 12 months is $49.233 million and $23.974 million after 12 months.
(ii) The value of long service leave expected to be taken within 12 months $27.320 million and $235.876 million after 12 months.
(iii) Workers' compensation provision includes $1.219 million for dust diseases of which $0.410 million is current. This provision is for claims from former Maritime Services Board (MSB) staff for dust related diseases that can be attributed to their service during the period 1 July 1989 – 30 June 1995 when the MSB was a self insurer.

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 other comprehensive income in the year they occur.

The following information has been prepared by the scheme actuary:

Superannuation position for AASB 119 purposes

	SASS 8 months to June 2012 $'000	SANCS 8 months to June 2012 $'000	SSS 8 months to June 2012 $'000	Total $'000
Accrued liability	638,096	94,825	1,467,891	2,200,812
Estimated reserve account balance	(414,170)	(61,375)	(538,747)	(1,014,292)
Future service liability	223,926	33,450	929,144	1,186,520
	(48,321)	(20,454)	(34,386)	(103,161)
Net (asset)/liability recognised in statement of financial position	**223,926**	**33,450**	**929,144**	**1,186,520**

Reconciliation of the present value of the defined benefit obligation

Present value of partly funded defined benefit obligation at part of net assets received from equity transfer	590,312	91,509	1,195,232	1,877,053
Current service cost	7,279	2,536	3,008	12,823
Interest cost	18,801	2,862	37,069	58,732
Contributions by fund participants	4,655	0	4,263	8,918
Actuarial (gains)/losses	62,929	6,324	269,791	339,044
Benefits paid	(45,880)	(8,406)	(41,471)	(95,757)
Present value of partly funded defined benefit obligation at the end of the period	**638,096**	**94,825**	**1,467,892**	**2,200,813**

Reconciliation of the fair value of fund assets

Fair value of fund assets at the beginning of the period	439,808	65,361	558,593	1,063,762
Expected return on fund assets	24,248	3,728	31,833	59,809
Actuarial gains/(losses)	(14,061)	(1,662)	(14,806)	(30,529)
Employer contributions	5,400	2,354	335	8,089
Contributions by fund participants	4,655	0	4,263	8,918
Benefits paid	(45,880)	(8,406)	(41,471)	(95,757)
Fair value of fund assets at the end of the period	**414,170**	**61,375**	**538,747**	**1,014,292**

Reconciliation of the assets and liability recognised in the statement of financial position

	SASS 8 months to June 2012 $'000	SANCS 8 months to June 2012 $'000	SSS 8 months to June 2012 $'000	Total $'000
Present value of partly funded defined benefits at end of the year	638,096	94,825	1,467,891	2,200,812
Fair value of fund assets at end of the year	(414,170)	(61,375)	(538,747)	(1,014,292)
Net (asset)/liability recognised in statement of financial position at the end of the period	**223,926**	**33,450**	**929,144**	**1,186,520**

Expense recognised

Current service cost	7,278	2,536	3,008	12,822
Interest on obligation	18,801	2,862	37,069	58,732
Expected return on fund assets (net of expenses)	(24,248)	(3,728)	(31,833)	(59,809)
Expense/(income) recognised*	**1,831**	**1,670**	**8,244**	**11,745**

* A portion of this expense has been capitalised.

Amount recognised in other comprehensive income

Actuarial (gains)/losses	76,990	7,986	284,597	369,573

Cumulative amount recognised in other comprehensive income

	SASS financial year June 2012 $'000	SANCS financial year June 2012 $'000	SSS financial year June 2012 $'000	Total $'000
Actuarial (gains)/losses	238,673	33,064	665,175	936,912

Actual return on fund assets

	SASS 8 months to June 2012 $'000	SANCS 8 months to June 2012 $'000	SSS 8 months to June 2012 $'000	Total $'000
Actual return on fund assets	13,253	2,066	16,403	31,722

Fund assets

The percentage invested in each asset class at the balance date:

	June 2012
Australian equities	28.0%
Overseas equities	23.7%
Australian fixed interest securities	4.9%
Overseas fixed interest securities	2.4%
Property	8.6%
Cash	19.5%
Other	12.9%

Expected rate of return on assets

The expected return on assets assumption is determined by weighting the expected long-term return for each asset class by the target allocation of assets to each class. The returns used for each class are net of investment tax and investment fees.

Valuation method and principal actuarial assumptions at the reporting date

a. Valuation method

The Projected Unit Credit (PUC) 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

	June 2012
Salary increase rate (excluding promotional increases)	2.5% p.a.
Rate of CPI increase	2.5% p.a.
Expected rate of return on assets	8.6%
Discount rate	3.06% p.a.

Expected contributions

	SASS financial year June 2012 $'000	SANCS financial year June 2012 $'000	SSS financial year June 2012 $'000	Total $'000
Expected employer contributions to be paid in the next reporting period	7,724	3,276	1,293	12,293

Funding arrangements for employer contributions

The following is a summary of the 30 June 2012 financial position of the fund calculated in accordance with AAS 25 – *Financial Reporting by Superannuation Plans*.

	SASS 8 months to June 2012 $'000	SANCS 8 months to June 2012 $'000	SSS 8 months to June 2012 $'000	Total $'000
Accrued benefits	509,138	81,202	803,334	1,393,674
Net market value of fund assets	(414,170)	(61,375)	(538,747)	(1,014,292)
Net (surplus)/deficit	**94,968**	**19,827**	**264,587**	**379,382**

Recommended contribution rates for the entity are:

SASS	SANCS	SSS
Multiple of member contributions	% Member salary	Multiple of member
1.90	2.50	0.93

Funded method

Contributions are set after discussion between the employer, STC and NSW Treasury.

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

Weighted-average assumptions	June 2012
Expected rate of return on fund assets backing current pension liabilities	8.3% p.a.
Expected rate of return on fund assets backing other liabilities	7.3% p.a.
Expected salary increase rate	4.0% p.a.
Expected rate of CPI increase	2.5% p.a.

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.

Provision for long service leave (LSL)

Long service leave (LSL) is measured at present value in accordance with AASB 119 *Employee Benefits*. This is based on the application of the valuation ratio at the Commonwealth Government bond rate at the reporting date to all employees using current rates of pay. This ratio is determined based on an actuarial review to approximate present value.

The actuarial assessment is based on the accrued long service leave liabilities and employee data of RMS as at 31 March 2011. Long service leave is accrued at the rate of 4.4 days per annum for the first 10 years of service and then at the rate of 11 days per annum.

Employees who exit with less than five years service receive no benefits. Those who leave with between five and seven years service have been assumed to only receive benefits if exiting due to death, disability or age retirement. Benefits are paid in service or on exit after seven years service on a pro rata basis.

Assumptions:
An allowance has been determined for each relevant on-cost separately to the LSL liability, as their accounting treatment and the adoption of liability is different to the LSL liability. The on-costs to LSL present value liabilities are:

Payroll tax	5.45%
Superannuation	11.00%
Superannuation accruing while on LSL	4.40%

As workers' compensation is determined without direct reference to salary, and does not accrue while an employee is on long service leave, there is no future workers' compensation expense that will be incurred when currently accrued LSL is taken during future service, and hence there is no attaching on-cost. It has been assumed that six days of LSL will be taken per year by employees who are eligible.

General salary increases of 2.5 per cent per annum have been assumed for all future years, consistent with NSW Treasury expectations for the NSW public sector in the medium-term. Promotional salary increases have been assumed at rates based on RMS and NSW public sector promotional salary experience.

The rates of resignation, death, age retirement and ill-health retirement assumed have been adopted from superannuation valuations of NSW public servants. Withdrawal rates for those with less than 10 years of service are based on experience from NSW and other superannuation schemes.

The discount rate is based on the 10 year bond rate at 30 June 2012 but adjusted from a semi-annual rate to an annual rate.

4. Audit fee

During the period to June 2012 an expense of $15,000 excluding GST was incurred by the Division for the audit of the financial statements by The Audit Office of NSW which was fully paid for by RMS.

5. Related party transactions

a. Relationship between the Division and RMS

The Division is a controlled entity of RMS and provides personnel services to RMS. Information related to personnel services is as follows:

	June 2012 $000
Personnel services provided	998,546
Receivable due from RMS	1,696,144

The receivable is unsecured. 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 RMS.

6. Employee related expenses

	June 2012 $000
Salaries and wages (including recreational leave)	524,808
Long service leave	28,404
Superannuation – defined benefit plan	11,471
Superannuation – defined contribution plan	28,548
Workers' compensation insurance	10,989
Payroll tax and fringe benefits tax	25,097
Redundancy	539
	629,892

7. Events after the reporting period

No events have occurred after the reporting date that would have a material impact on the financial statements.

End of audited financial statements.