

ROADS AND TRAFFIC AUTHORITY OF NEW SOUTH WALES
FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2005

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GPO BOX 12
SYDNEY NSW 2001

INDEPENDENT AUDIT REPORT

ROADS AND TRAFFIC AUTHORITY OF NEW SOUTH WALES

To Members of the New South Wales Parliament

Audit Opinion

In my opinion, the financial report of the Roads and Traffic Authority of New South Wales

- (a) presents fairly the Authority's financial position as at 30 June 2005 and its financial performance and cash flows for the year ended on that date, in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia, and
- (b) complies with sections 41B of the *Public Finance and Audit Act 1983* (the Act).

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

The Chief Executive's Role

The financial report is the responsibility of the Chief Executive of the Roads and Traffic Authority of New South Wales. It consists of the statement of financial position, the statement of financial performance, the statement of cash flows, the program statement - expenses and revenues, the summary of compliance with financial directives and the accompanying notes.

The Auditor's Role and the Audit Scope

As required by the Act, I carried out an independent audit to enable me to express an opinion on the financial report. My audit provides *reasonable assurance* to Members of the New South Wales Parliament that the financial report is free of *material* misstatement.

My audit accorded with Australian Auditing and Assurance Standards and statutory requirements, and I:

- evaluated the accounting policies and significant accounting estimates used by the Chief Executive in preparing the financial report, and
- examined a sample of the evidence that supports the amounts and other disclosures in the financial report.

An audit does *not* guarantee that every amount and disclosure in the financial report is error free. The terms 'reasonable assurance' and 'material' recognise that an audit does not examine all evidence and transactions. However, the audit procedures used should identify errors or omissions significant enough to adversely affect decisions made by users of the financial report or indicate that the Chief Executive has not fulfilled his reporting obligations.

My opinion does *not* provide assurance:

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

Audit Independence

The Audit Office complies with all applicable independence requirements of Australian professional ethical pronouncements. The Act further promotes independence by:

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



R J Sendt
Auditor-General

SYDNEY
8 September 2005

ROADS AND TRAFFIC AUTHORITY**YEAR ENDED 30 JUNE 2005**

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

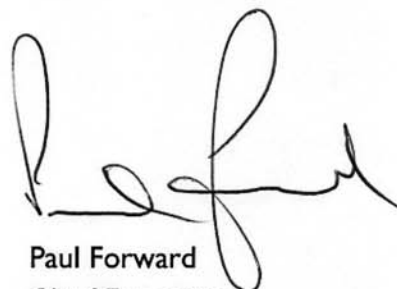
1. The accompanying financial statements exhibit a true and fair view of the Authority's financial position as at 30 June 2005 and transactions for the year then ended.

2. The statements have been prepared in accordance with the provisions of the Public Finance and Audit Act 1983, the Public Finance and Audit Regulation 2000, the Treasurer's Directions and the directives of the Financial Reporting Code.

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



Brett Skinner
Director, Finance
5 September 2005



Paul Forward
Chief Executive
5 September 2005

Statement of Financial Performance
For the Year Ended 30 June 2005

	Notes	Actual 2005 \$000	Budget 2005 \$000	Actual 2004 \$000
Expenses				
Operating Expenses				
– Employee Related	2(a)	210,134	222,263	204,562
– Other Operating Expenses	2(b)	566,333	423,781	513,471
Maintenance	2(c)	775,126	707,491	687,928
Depreciation and Amortisation	2(d)	704,179	585,609	697,157
Grants and Subsidies	2(e)	35,984	51,362	15,835
Borrowing Costs	2(f)	66,854	67,375	75,212
Total Expenses		2,358,610	2,057,881	2,194,165
Less:				
Retained Revenue				
Sales of Goods and Services	3(a)	219,656	247,363	210,983
Investment Income	3(b)	28,770	10,275	33,798
Retained Taxes, Fees and Fines	3(c)	9,234	–	6,790
Grants and Contributions	3(d)	50,785	33,904	36,370
Other Revenue	3(e)	70,816	53,058	130,314
Total Retained Revenue		379,261	344,600	418,255
Gain on Disposal of Non-Current Assets	4	14,655	49	461
Net Cost of Services	24	1,964,694	1,713,232	1,775,449
Government Contributions				
Recurrent Appropriation	6	1,398,816	1,400,219	1,278,099
Capital Appropriation	6	1,093,685	1,015,172	1,067,119
Total Government Contributions		2,492,501	2,415,391	2,345,218
SURPLUS FOR THE YEAR FROM ORDINARY ACTIVITIES		527,807	702,159	569,769
SURPLUS FOR THE YEAR		527,807	702,159	569,769
NON-OWNER TRANSACTION CHANGES IN EQUITY				
Net increase in asset revaluation reserve	18	3,300,082	–	7,091,639
Other increases	18	65,002	–	42,789
Total revenues, expenses and valuation adjustments recognised directly in equity		3,365,084	–	7,134,428
Total changes in equity other than those resulting from transactions with owners as owners		3,892,891	702,159	7,704,197

The accompanying notes form part of these statements.

Statement of Financial Position
As at 30 June 2005

	Notes	Actual 2005 \$000	Budget 2005 \$000	Actual 2004 \$000
ASSETS				
Current Assets				
Cash Assets	9	185,264	264,455	277,437
Receivables	10(a)	133,256	87,325	117,814
Inventories		7,440	6,549	7,104
Other	12(a)	6,273	5,317	7,142
Total Current Assets		332,233	363,646	409,497
Non-Current Assets				
Receivables	10(b)	96,305	73,534	73,075
Property, Plant and Equipment				
– Land and Buildings	11(a)	3,420,003	3,214,293	3,223,925
– Plant and Equipment	11(b)	132,273	55,672	128,698
– Infrastructure Systems	11(c)	69,314,810	59,364,173	65,788,138
Total Property, Plant and Equipment		72,867,086	62,634,138	69,140,761
Other	12(b)	957,786	927,513	894,478
Total Non-Current Assets		73,921,177	63,635,185	70,108,314
Total Assets		74,253,410	63,998,831	70,517,811
LIABILITIES				
Current Liabilities				
Payables	13	446,660	333,940	477,462
Interest bearing liabilities	14	160,586	43,406	106,263
Provisions	16	68,213	76,752	80,711
Other	17	89,344	59,720	77,907
Total Current Liabilities		764,803	513,818	742,343
Non-Current Liabilities				
Interest bearing liabilities	14	661,800	776,172	791,415
Provisions	16	338,186	424,170	370,848
Other	17	387,098	387,640	404,573
Total Non-Current Liabilities		1,387,084	1,587,982	1,566,836
Total Liabilities		2,151,887	2,101,800	2,309,179
Net Assets		72,101,523	61,897,031	68,208,632
EQUITY				
Reserves	18	30,564,685	20,172,964	27,264,603
Accumulated Funds	18	41,536,838	41,724,067	40,944,029
Total Equity		72,101,523	61,897,031	68,208,632

The accompanying notes form part of these statements.

Statement of Cash Flows
For the Year Ended 30 June 2005

	Notes	Actual 2005 \$000	Budget 2005 \$000	Actual 2004 \$000
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
Employee Related		(255,294)	(214,724)	(239,030)
Grants and Subsidies		(36,755)	(52,133)	(16,606)
Borrowing Costs		(61,175)	(62,800)	(69,753)
Other		(1,495,666)	(1,314,413)	(1,331,326)
Total Payments		(1,848,890)	(1,644,070)	(1,656,715)
Receipts				
Sale of Goods and Services		228,132	247,890	225,883
Retained Taxes, Fees and Fines		—	—	6,790
Investment Income Received		7,878	10,275	15,075
Other		268,857	201,805	269,541
Total Receipts		504,867	459,970	517,289
Cash Flow from Government				
Recurrent Appropriation		1,398,816	1,400,219	1,278,099
Capital Appropriation		1,093,685	1,015,172	1,067,119
Net Cash Flows from Government		2,492,501	2,415,391	2,345,218
NET CASH FLOWS FROM OPERATING ACTIVITIES	24	1,148,478	1,231,291	1,205,792
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from Sale of Land and Buildings, Plant and Equipment and Infrastructure Systems		59,269	52,609	29,208
Purchases of Land and Buildings, Plant and Equipment and Infrastructure Systems		(1,219,682)	(1,225,390)	(1,110,343)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(1,160,413)	(1,172,781)	(1,081,135)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of Borrowings and Advances		(80,238)	(82,200)	(85,275)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(80,238)	(82,200)	(85,275)
NET INCREASE IN CASH		(92,173)	(23,690)	39,382
Opening Cash and Cash Equivalents		277,437	288,145	238,055
CLOSING CASH AND CASH EQUIVALENTS	9	185,264	264,455	277,437

The accompanying notes form part of these statements.

Program Statement – Expenses and Revenues
For the Year Ended 30 June 2005

ROADS AND TRAFFIC AUTHORITY	Road Network Infrastructure*		Road Safety, Licensing and Vehicle Management*		Traffic and Transport*		M4/M5 Cashback Scheme*		Not Attributable		Total	
EXPENSES AND REVENUES	2005 \$000	2004 \$000	2005 \$000	2004 \$000	2005 \$000	2004 \$000	2005 \$000	2004 \$000	2005 \$000	2004 \$000	2005 \$000	2004 \$000
EXPENSES												
Operating Expenses												
– Employee Related	15,718	16,205	172,130	166,865	22,286	21,492	–	–	–	–	210,134	204,562
– Other Operating Expenses	126,137	105,754	264,809	251,921	97,070	83,332	78,317	72,464	–	–	566,333	513,471
Maintenance	599,405	528,463	325	466	175,396	158,999	–	–	–	–	775,126	687,928
Depreciation and Amortisation	695,885	685,725	7,048	8,976	1,246	2,456	–	–	–	–	704,179	697,157
Grants and Subsidies	25,624	8,913	9,532	6,922	828	–	–	–	–	–	35,984	15,835
Borrowing Costs	66,854	75,212	–	–	–	–	–	–	–	–	66,854	75,212
Total Expenses	1,529,623	1,420,272	453,844	435,150	296,826	266,279	78,317	72,464	–	–	2,358,610	2,194,165
Retained Revenue												
Sale of Goods and Services												
Investment Income	114,031	107,805	97,380	95,164	7,850	8,014	–	–	–	–	219,261	210,983
Retained Taxes, Fees and Fines	27,512	30,738	734	1,478	919	1,582	–	–	–	–	29,165	33,798
Grants and Contributions	928	854	8,306	5,936	–	–	–	–	–	–	9,234	6,790
Other Revenue	24,807	17,748	6,432	4,804	19,546	13,818	–	–	–	–	50,785	36,370
Total Retained Revenue	237,945	286,967	112,921	107,609	28,395	23,679	–	–	–	–	379,261	418,255
Gain (Loss) on Disposal of Non-Current Assets	14,655	461	–	–	–	–	–	–	–	–	14,655	461
NET COST OF SERVICES	1,277,023	1,132,844	340,923	327,541	268,431	242,600	78,317	72,464	–	–	1,964,694	1,775,449
Government Contributions**	–	–	–	–	–	–	–	–	2,492,501	2,345,218	2,492,501	2,345,218
NET EXPENDITURE/ (REVENUE) FOR THE YEAR	1,277,023	1,132,844	340,923	327,541	268,431	242,600	78,317	72,464	(2,492,501)	(2,345,218)	(527,807)	(569,769)
ADMINISTERED REVENUES												
	Road Network Infrastructure		Road Safety, Licensing and Vehicle Management		Traffic and Transport		M4/M5 Cashback Scheme		Not Attributable		Total	
[See Note 1(c)]	2005 \$000	2004 \$000	2005 \$000	2004 \$000	2005 \$000	2004 \$000	2005 \$000	2004 \$000	2005 \$000	2004 \$000	2005 \$000	2004 \$000
Consolidated Fund												
– Taxes, Fees and Fines	–	–	–	–	–	–	–	–	419,793	356,025	419,793	356,025
– Other	–	–	–	–	–	–	–	–	587,489	596,653	587,489	596,653
Total Administered Revenues	–	–	–	–	–	–	–	–	1,007,282	952,678	1,007,282	952,678

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

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

**Summary of Compliance with Financial Directives
For the Year Ended 30 June 2005**

	2005				2004			
	Recurrent appropriation	Expenditure/ net claim on consolidated fund	Capital appropriation	Expenditure/ net claim on consolidated fund	Recurrent appropriation	Expenditure/ net claim on consolidated fund	Capital appropriation	Expenditure/ net claim on consolidated fund
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Original Budget Appropriation/Expenditure								
– Appropriation Act	1,400,219	1,393,417	1,015,172	1,015,172	1,258,738	1,251,134	1,044,593	1,021,879
– Additional Appropriations	–	–	–	–	–	–	–	–
– Section 21A PF and AA – Special Appropriations	–	–	–	–	–	–	–	–
– Section 24 PF and AA – transfers of functions between departments	–	–	–	–	–	–	–	–
– Section 26 PF and AA – Commonwealth specific purpose payments	–	–	53,212	53,212	4,469	2,418	34,000	34,000
	1,400,219	1,393,417	1,068,384	1,068,384	1,263,207	1,253,552	1,078,593	1,055,879
Other Appropriations/Expenditure								
– Treasurer's Advance	878	878	8,000	8,000	1,727	1,355	–	–
– Section 22 expenditure for certain works and services	–	–	–	–	–	–	–	–
– Transfers from another agency (Section 25 of the Appropriation Act)	–	–	–	–	–	–	–	–
– Section 27 Appropriation Act – transfers from another agency	(537)	(537)	–	–	–	–	–	–
– Section 22A (2) Motor-Vehicles Taxation Act (hypothecation of motor vehicle tax)	4,543	4,543	17,301	17,301	22,299	22,299	11,240	11,240
– Section 225 Roads Act (hypothecation of heavy vehicle overloading fines)	515	515	–	–	893	893	–	–
	5,399	5,399	25,301	25,301	24,919	24,547	11,240	11,240
Total Appropriations/Expenditure/ Net Claim on Consolidated Fund	1,405,618	1,398,816	1,093,685	1,093,685	1,288,126	1,278,099	1,089,833	1,067,119
Amount drawn down against Appropriation		1,398,816		1,093,685		1,278,099		1,067,119
Liability to Consolidated Fund		–		–		–		–

The Summary of Compliance is based on the assumption that Consolidated Fund moneys are spent first.

Consolidated funding for the RTA's Roads Program is classified as recurrent and capital appropriation based upon the way in which the appropriations are expended. The Program, as part of its appropriation, receives all the revenue from motor vehicle taxes in accordance with the *Motor Vehicles Taxation Act*, with the level of the funds from the motor vehicle taxes not known until 30 June each year.

**Notes to and forming part of the Financial Statements
of the Roads and Traffic Authority
For the Year Ended 30 June 2005**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

The Roads and Traffic Authority (RTA), as a reporting entity, is responsible for:

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

The reporting entity is consolidated as part of the NSW Total State Sector Accounts, except in regard to the reporting of Land Under Roads.

(b) Basis of Preparation

The RTA's financial statements are a general purpose financial report which has been prepared on an accruals basis and in accordance with:

- applicable Australian Accounting Standards (AAS);
- other authoritative pronouncements of the Australian Accounting Standards Board (AASB);
- Urgent Issues Group (UIG) Consensus Views;
- the requirements of the Public Finance and Audit Act 1983 and Regulations; and
- the Financial Reporting Directions published in the Financial Reporting Code (FRC) for Budget Dependent General Government Sector Agencies or issued by the Treasurer under Section 9(2) (n) of the Public Finance and Audit Act.

Where there are inconsistencies between the above requirements, the legislative provisions have prevailed.

In the absence of a specific Accounting Standard, other authoritative pronouncement of the AASB or UIG Consensus View, the hierarchy of other pronouncements as outlined in AAS 6 Accounting Policies is considered.

Except for certain investments, land and buildings and infrastructure systems, which are recorded at valuation, the financial statements are prepared in accordance with the historical cost convention.

The accounting policies adopted, are consistent with those of the previous year.

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

(c) Administered Activities

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

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

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

(d) Revenue Recognition

Revenue is recognised when the RTA has control of the good or right to receive, it is probable that the economic benefits will flow to the RTA and the amount of the revenue can be measured reliably. Additional comments regarding the accounting policies for the recognition of revenue are discussed below:

(i) Parliamentary Appropriations and Contributions from other Bodies.

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

The split between recurrent and capital appropriations is based on the way the appropriations are to be spent.

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

(ii) Sale of Goods and Services

Revenue from the sale of goods and services comprises revenue from the provision of products or services, ie: user charges. User charges are recognised as revenue when the RTA obtains control of the assets that result from them.

(iii) Investment Income

Interest revenue is recognised as it accrues. Rent revenue is recognised in accordance with AAS 17 Accounting for Leases.

(e) Employee Benefits and Other Provisions

(i) Salaries and Wages, Annual Leave, Sick Leave and Oncosts

Liabilities for salaries, wages (including non-monetary benefits) and annual leave are recognised and measured in respect of employees' services up to the reporting date at nominal amounts based on the amounts expected to be paid when the liabilities are settled.

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

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

(ii) Long Service Leave and Superannuation

Long service leave is measured on a short hand basis. The short hand method is based on the remuneration rates at year end for all employees with five or more years of service together with an estimate for employees with less than five years service, based on the percentage who are expected to remain employed by the RTA long enough to be entitled to long service leave. It is considered that this measurement technique produces results not materially different from the estimate determined by using the present value basis of measurement.

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

(f) Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

(g) Insurance

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

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

(h) Accounting for the Goods and Services Tax (GST)

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

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

(i) Acquisitions of Assets

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the RTA. Cost is determined as the fair value of the assets given as consideration plus the costs incidental to the acquisition.

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

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

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value at the acquisition date. The discount rate used is the incremental borrowing rate, being the rate at which a similar borrowing could be obtained.

(j) Asset Management Policy

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

Plant and equipment costing individually above \$5,000 are capitalised.

Physical non-current assets are valued in accordance with the Guidelines for the Valuation of Physical Non-Current Assets at Fair Value (TPP 03-02). This policy adopts fair value in accordance with AASB 1041 Revaluation of Non Current Assets for financial years commencing on or after 1 July 2002. There is no substantive difference between the fair value valuation methodology and the previous methodology adopted in the NSW public sector.

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

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

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

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

Revaluation decrements are recognised immediately as expenses in the Statement of Financial Performance, 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.

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.

(i) Plant and Equipment

Asset	Valuation Policy	Depreciation Policy
Plant, Equipment and Vehicles (Minimum capital value \$5,000)	Written down historic cost	Depreciated on the straight line method over the estimated useful life of between 5 and 20 years
Computer Hardware and Software (Minimum capital value of \$1,000 and \$5,000 respectively)	Written down historic cost	Depreciated on the straight line method over the estimated useful life of between 3 and 10 years
Electronic Office Equipment (Minimum capital value \$5,000)	Written down historic cost	Depreciated on the straight line method over the estimated useful life of 10 years

The written down historic cost 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 purposes have been determined with due regard to a number of factors including the expected retention period by the entity and the underlying physical, technical and commercial nature of the assets as defined in AAS4 Depreciation. In accordance with this standard the shortest alternative useful life is applied. Approximately \$64.399 million 21.6% (2003-04; \$118.337 million 40.7%) of the RTA's assets in the categories of plant, equipment, vehicles, computer hardware and software and electronic office equipment are fully depreciated. The percentage of fully depreciated assets should decrease progressively as they are replaced in future years. A stock take and complete review of the anticipated useful lives of operational assets was carried out during 2004-05.

(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 written down replacement cost (buildings). Where such properties are rented externally they are valued at current market value. Land and Buildings in Service were revalued in the current year and are due to be revalued in 2007-08.	Buildings – Depreciated on the straight line method over the estimated useful life of 40 years.
Land and Buildings Acquired for Future Roadworks – Rentable or Surplus Properties – Vacant land	– Current Market Value – Average Rateable Value Per Hectare of Urban and Rural Areas within each Local Government Area (LGA) Land and Buildings Acquired for Future Roadworks are revalued progressively over a 3 year cycle. The current revaluation cycle commenced 2002-03.	No depreciation charged as buildings are not purchased to generate revenue but ultimately to be demolished for roadworks.
Leasehold Improvements (Minimum capital value \$5,000)	Written down historic cost/revalued amount.	Amortised over the period of the lease, or the useful life of the improvement to the RTA, whichever is shorter.

Included in the value of land and buildings in service is an amount of \$12.831 million (2003-04; \$8.816 million) for buildings on Crown land. As the RTA effectively "controls" this Crown land, it has been included in the RTA's Statement of Financial Position. Should such Crown land be transferred or disposed of, associated buildings are written off in the year the transfer or disposal takes place.

The RTA's land and buildings are valued by registered valuers. Land and Buildings Acquired for Future Roadworks comprise Untenanted Land for Roads which is revalued annually and Rental Properties and Surplus Properties which are revalued progressively within a 3 year timeframe. The selection of assets within Land and Buildings Acquired for Future Roadworks to be revalued in each reporting period within the current progressive revaluation is made by reference to the asset's acquisition date or previous revaluation date, to ensure each asset is revalued in the 3 year progressive revaluation timeframe. To accord with the disclosure requirements of AASB 1041 Revaluation of Non-Current Assets regarding progressive revaluations, the aggregate carrying amount of Land and Buildings Acquired for Future Roadworks comprises:

Commencement date of the current progressive revaluation:	1 July 2002
Completion date of the current progressive revaluation:	30 June 2005

Category of Land and Building Acquired for Future Roadworks	Aggregate carrying amount \$000
Carried at cost of acquisition less, where applicable, any accumulated depreciation	–
Carried at revalued amounts determined prior to the beginning of the current progressive revaluation less, where applicable, any accumulated depreciation	–
Revalued as part of the current progressive revaluation and carried at fair value as at 30 June 2005 less, where applicable, any subsequent accumulated depreciation	992,330
Revalued as part of the current progressive revaluation and carried at an amount other than fair value as at 30 June 2005 less, where applicable, any subsequent accumulated depreciation	–
Carried at recoverable amount less, where applicable, any subsequent accumulated depreciation	–
Untenanted land for Roads – revalued annually not subject to progressive revaluation	2,183,334
Land and Building Acquired for Future Roadworks at 30 June 2005 [see note 11(a)]	3,175,684

(iii) Infrastructure Systems

Asset	Valuation Policy	Depreciation Policy
Roads		
– Earthworks	Written down replacement cost	Depreciated over estimated useful life of 100 years
– Pavement	Written down replacement cost	Depreciated over estimated useful life dependant on pavement surface 15 years (unsealed) 20–50 years (flush seal/asphalt) 25–50 years (asphalt/concrete) 40–50 years (concrete)
Bridges		
	Written down replacement cost	Depreciated over estimated useful life dependant on bridge type
– Timber structures		60 years
– Concrete structures		100 years
– Steel structures		100 years
– X Trusses (timber and steel)		60 years
– High Value Bridges		200 years
– Bridge Size Culverts/Tunnels		100 years
Traffic Signals	Written down replacement cost	Depreciated over estimated useful life of 20 years
Traffic Control Network		
	Written down replacement cost	Depreciated over estimated useful life of
– Traffic Systems		5-20 years
– Transport Management Centre		5-20 years
– Variable Message Signs		30 years
Land under roads and within road reserves	Average rateable value per hectare of urban and rural areas within each Local Government Area (LGA)	No depreciation applied as land does not have a limited useful life

The RTA, being responsible for the development and management of the State's road network, has recognised the control aspect of some infrastructure assets and the ownership of other infrastructure assets when formulating policy in respect of the valuation and reporting of infrastructure.

Roads, bridges and traffic signals are initially brought to account at cost.

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

The determination of unit replacement rates for road, bridge and traffic control signal infrastructure valuations is carried out at least every five years by suitably qualified engineering contractors and employees of the RTA. Roads were revalued during 2003-04. Unit replacement rates for traffic signals were reviewed during 2002-03. All bridges and bridge culverts were revalued during 2002-03.

Assets are recorded initially at construction cost and the annual percentage increase in the Road Cost Index 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, except for Traffic Control Network.

In respect of land under roads and within road reserves, valuations are assessed according to the average rateable value per hectare of urban and rural areas within each Local Government Area. Such valuations, which are undertaken annually by the RTA's registered valuers, are based upon the data provided by

the Local Government Grants Commission and the Valuer General.

In 2004/2005 the data provided by the Local Government Grants Commission and the Valuer General, on which the valuations of average rateable value are ordinarily based, was not available. Accordingly the average rateable values per hectare were estimated to have increased by 5% when compared with 2003/2004. This estimate was made by an in house registered valuer.

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

Accounting Standard AAS4 Depreciation of Non Current Assets outlines factors to be considered in assessing the useful life of an asset for depreciation purposes. These factors include wear and tear from physical use and technological and commercial obsolescence.

Road assets are depreciated on the straight-line basis in accordance with AAS 4 Depreciation of Non Current Assets. The road assets are considered to consist of two components, pavement and non-pavement (comprising earthworks and road furniture), each with a corresponding useful service life.

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

The respective provisions for depreciation of infrastructure assets recognise the total accumulated depreciation of those assets on a straight-line basis over the assessed useful life of those assets as at 30 June 2005. During 2003-04 the estimated useful life was extended for roads which had reached the end of their useful life to reflect their on going service potential. This reassessment of the useful life together with the revaluation of the roads has contributed to an increase in the depreciation expense.

(iv) Private Sector Provided Infrastructure

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

In respect of the M2, M4, and M5 Motorways and the Eastern Distributor (the Cross City Tunnel, Westlink M7 Motorway and Lane Cove Tunnel yet to be commissioned), the RTA values each right to receive asset by reference to the RTA's emerging share of the written down replacement cost of each asset apportioned over the respective period of the concession agreement.

(v) Cultural Collection Assets

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

(vi) Leased Assets

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

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

Operating lease payments are charged to the Statement of Financial Performance in the periods in which they are incurred.

(k) Maintenance and Repairs

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

(l) Receivables

Receivables are recognised and carried at cost, based on the original invoice amount less a provision for any uncollectable debts. Collecting of debtors is reviewed on an ongoing basis. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

(m) Provision of Material Assets

No material assets were provided free of charge to the RTA during the 2004/2005 financial year. However, at a small number of locations, Crown land was provided at peppercorn rentals.

(n) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost is calculated using the weighted average cost. Inventories consist mainly of raw materials and supplies used for the construction and maintenance of roads, bridges and traffic signals.

(o) Investments

Due to the short-term nature of the RTA's investments, book, face and market values are equivalent. Investments held are not quoted on a stock exchange.

(p) Capitalisation of Expenditure

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

(q) Other Assets

Other assets including prepayments are recognised on a cost basis.

(r) Payables

These amounts represent liabilities for goods and services provided to the RTA and other amounts, including interest. Interest is accrued over the period it becomes due.

(s) Interest Bearing Liabilities

All loans are valued at current capital value. Any finance lease liability is determined in accordance with AAS17 Leases.

(t) Financial Instruments

Financial Instruments give rise to positions that are a financial asset or liability of the RTA and a financial liability or asset of another party. The RTA includes cash at bank, receivables, creditors and borrowings as financial instruments. In accordance with AAS33 Presentation and Disclosure of Financial Instruments, information is disclosed in Note 15 in respect of the credit risk and interest rate risk of those instruments. All such amounts are carried in the accounts at values as disclosed within each of the respective notes to the accounts relating to those financial instruments.

(u) Budgeted amounts

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

The budgeted amounts in the Statement of Financial Performance and the Statement of Cash Flows are generally based on the amounts disclosed in the NSW Budget Papers (as adjusted above).

(v) Impact of Adopting Australian Equivalents to IFRS

The RTA will apply the Australian equivalents to International Financial Reporting Standards (AEIFRS) from 2005-06.

– The RTA's International Standards Committee is overseeing the transition.

– The following phases that need to be undertaken have been identified:

– Planning

– Impact Assessment

– System Change and Implementation

– Post Implementation review

– To date, the Planning and Impact Assessment stages are complete. An operational review of the assessed impact has been finalised and System Changes and Implementation should be finalised by 31 December 2005.

The RTA has determined the key areas where changes in accounting policies are likely to impact the financial report. Some of these impacts arise because AEIFRS requirements are different from existing AASB requirements (AGAAP). Other impacts are likely to arise from options in AEIFRS. To ensure consistency at the whole of government level, NSW Treasury has advised agencies of options it is likely to mandate for the NSW Public Sector. The impacts disclosed below reflect Treasury's likely mandates (referred to as "indicative mandates").

Shown below are management's best estimates, as at the date of preparing the 30 June 2005 Financial Report, of the estimated financial impacts of AEIFRS on the RTA's equity. The RTA does not anticipate any material impacts on its cash flows or surplus/deficit for the year ended 30 June 2005. The actual effects of the transition may differ from the estimated figures below because of pending changes to the AEIFRS, including the UIG Interpretations and/or emerging accepted practice in their interpretation and application. The RTA's accounting policies may also be affected by a proposed standard to harmonise accounting standards with Government Finance Statistics (GFS). However, the impact is uncertain because it depends on when this standard is finalised and whether it can be adopted in 2005-06.

(a) Reconciliation of Key Aggregates

Reconciliation of equity under existing Standards (AGAAP) to equity under AEIFRS

	Notes	30 June 2005** \$000	1 July 2004* \$000
Total equity under AGAAP		72,101,523	68,208,632
Adjustments to accumulated funds			
Derecognition of intangible assets	(1)	(15,000)	(15,000)
Defined benefit superannuation adjustment for change in discount rate	(2)	(121,748)	(63,140)
Write back of PSPI upfront payments previously recognised as revenue	(3)	(369,915)	(369,915)
Assets held for sale	(4)	–	(2,702)
Total equity under AEIFRS		71,594,860	67,757,875

* adjustments as at the date of transition

** cumulative adjustments as at date of transition plus the year ended 30 June 2005

Reconciliation of surplus/(deficit) under AGAAP to surplus/(deficit) under AEIFRS:

Year Ended 30 June 2005	Notes	\$000
Surplus under AGAAP		527,807
Defined benefit superannuation	(2)	(58,608)
Surplus under AEIFRS		469,199

Based on the above, if AEIFRS were applied in 2004-05, this would increase the Net Cost of Services from \$1,990 million to \$2,049 million.

1. AASB 138 *Intangible Assets* requires all research costs to be expensed and restricts the capitalisation of development costs. Current AGAAP permits some research and development costs to be capitalised when certain criteria are met. As a result, some currently recognised intangible assets will need to be derecognised.
2. AASB 119 *Employee Benefits* requires the defined benefit superannuation obligation to be discounted using the government bond rate as at each reporting date, rather than the long-term expected rate of return on plan assets. The RTA's superannuation obligation is not assumed by the Crown; accordingly this has increased the defined benefit superannuation liability and changed the quantum of the superannuation expense.
3. NSW Treasury have mandated the adoption of their draft policy "Accounting for Upfront Payments and Emerging Assets in Public Private Partnerships", the principles of which have been endorsed by the Heads of Treasury Advisory and Reporting Committee. The policy requires that upfront payments received in respect of a Private Sector Provided Infrastructure (PSPI) project should be recognised over the concession period.
4. AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* requires non-current assets classified as 'held for sale' to be reclassified as current and recognised at the lower of the carrying amount and the fair value less costs to sell.

(b) Financial Instruments

In accordance with NSW Treasury's indicative mandates, The RTA will apply the exemption provided in AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* not to apply the requirements of AASB 132 *Financial Instruments: Presentation and Disclosures* and AASB 139 *Financial Instruments: Recognition and Measurement* for the financial year ended 30 June 2005. These Standards will apply from 1 July 2005. None of the information provided above includes any impacts for financial instruments. However, when these Standards are applied, they are likely to impact on retained earnings (on first adoption) and the amount and volatility of profit / loss. Further, the impact of these Standards will in part depend on whether the fair value option can or will be mandated consistent with Government Finance Statistics.

(c) Grant recognition for *not-for profit* entities

The RTA will apply the requirements in AASB 1004 *Contributions* regarding contributions of assets (including grants) and forgiveness of liabilities. There are no differences in the recognition requirements between the new AASB 1004 and the current AASB 1004. However, the new AASB 1004 may be amended by proposals in Exposure Draft (ED) 125 *Financial Reporting by Local Governments*. If the ED 125 approach is applied, revenue and / or expense recognition will not occur until either the RTA supplies the related goods and services (where grants are in-substance agreements for the provision of goods and services) or until conditions are satisfied. ED 125 may therefore delay revenue recognition compared with AASB 1004, where grants are recognised when controlled. However, at this stage, the timing and dollar impact of these amendments is uncertain.

2. EXPENSES

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

(a) Employee Related Expenses

Employee related expenses comprise the following specific items:

	2005 \$000	2004 \$000
Salaries and Wages (including Annual Leave)	451,226	424,173
Long Service Leave	37,697	22,417
Superannuation	39,262	68,429
Workers Compensation Insurance	7,815	8,883
Payroll Tax and Fringe Benefits Tax	30,542	31,729
Other	2,289	3,463
	568,831	559,094

	2005 \$000	2004 \$000
Allocation of Employee Related Expenses to Programs		
– Capitalised to Infrastructure	175,940	191,104
– Maintenance	182,757	163,428
– Operating Programs	210,134	204,562
	568,831	559,094

(b) Other Operating Expenses

	2005 \$000	2004 \$000
Registry Customer Services *	105,942	103,372
Driver and Vehicle Management *	55,402	50,238
Road Safety *	81,077	92,297
Traffic and Transport *	85,718	80,595
Ensured Revenue Stream Payments	30,988	27,892
SHB Toll Collections *	12,155	11,202
M4/M5 Cashback Scheme	78,317	72,464
Write-Down of Infrastructure Assets	53,506	10,811
Other	63,228	64,600
	566,333	513,471

* These expense categories exclude employee related expenses and depreciation incurred in providing these services.

(i) Auditor's Remuneration

During 2004-05 an expense of \$0.526 million (2003-04; \$0.501 million), excluding GST, was incurred for the audit of the financial statements by The Audit Office of NSW.

(ii) Cost of sales

During 2004-05 the cost incurred in relation to the sale of goods was \$19.677 million (2003-04; \$20.602 million).

(iii) Bad and Doubtful Debts

The bad and doubtful debts expense for 2004-05 amounted to \$1.979 million (2003-04; \$0.444 million).

(iv) Operating lease rental expense

	2005 \$000	2004 \$000
Property	22,594	22,269
IT Equipment	45,749	46,916
Light Motor Vehicles	28,005	24,670
Heavy Motor Vehicles	519	950
	97,227	94,805

(v) Insurance

Insurance costs (excluding workers compensation) for 2004-05 amounted to \$47.627 million (2003-04; \$35.058 million).

(vi) Write-Down of Infrastructure Assets

Infrastructure assets were written down by \$53.506 million in 2004-05 (2003-04; \$10.811 million).

(c) Infrastructure Maintenance

Maintenance expenditure relates to the maintenance of roads, bridges and the traffic signal control network and includes employee related costs. Major reconstruction of road segments are capitalised and as such not charged against maintenance expenditure. The RTA capitalised \$87.400 million of such works (2003-04 \$100.943 million) – refer Note 1(j) (iii).

The RTA expended \$16.877 million in 2004-05 (2003-04; \$10.941 million) on natural disaster restoration works from State funds. Some \$3.084 million (2003-04; \$1.793 million) was also spent on natural disaster restoration works on National Highways during the year. The total cost of natural disaster restoration work in 2004-05 was \$19.961 million (2003-04; \$12.734 million), which was included as part of maintenance expenditure.

(d) Depreciation and Amortisation

	2005 \$000	2004 \$000
Depreciation Raised against Operational and Property Assets (Excludes depreciation capitalised as Infrastructure)	14,527	26,812
Depreciation raised against Infrastructure	689,652	670,345
	704,179	697,157

In addition, operational assets were written down by \$3.593 million in 2004-05 (2003-04; \$0.348 million).

(e) Grants and Subsidies

	2005 \$000	2004 \$000
Capital Grants – to Councils for Regional Roads	24,796	8,913
Grants Under Road Safety Program	10,360	6,922
Other	828	–
	35,984	15,835

(f) Borrowing Costs

	2005 \$000	2004 \$000
Interest	58,908	66,952
Debt Guarantee	3,000	3,000
Amortisation of premium / discount on Borrowings	4,946	5,260
	66,854	75,212

3. REVENUES

(a) Sale of Goods and Services

	2005	2004
	\$000	\$000
<i>Sale of Goods</i>		
– Number Plates	54,254	52,936
<i>Rendering of Services</i>		
– Third Party Insurance Data Access Charges	11,730	10,174
– Toll Revenue (Sydney Harbour Bridge) adjusted	74,786	74,154
– Correction of Toll Revenue in 2004 for 2003	–	(6,417)
– Minor Sale of Goods & Services	78,886	80,136
	219,656	210,983

(b) Investment Income

	2005	2004
	\$000	\$000
Interest	8,123	15,299
Rent	20,647	18,499
	28,770	33,798

(c) Retained Taxes, Fees and Fines

	2005	2004
	\$000	\$000
Heavy Vehicle Permit Fees	928	854
Sanction Fees payable under the Fines Act	8,306	5,936
	9,234	6,790

(d) Grants and Contributions

	2005	2004
	\$000	\$000
NSW Government Agencies:		
– Department of Transport	23,962	20,600
– Other	4,130	4,925
Local Government	4,660	401
Other Government Agencies	10,225	4,269
Private Firms and Individuals	7,808	6,175
	50,785	36,370

(e) Other Revenue

	2005	2004
	\$000	\$000
Reimbursement of Development Costs [Refer Note 7 (c)]	–	79,301
Value of Emerging Interest of Private Sector Provided Infrastructure		
– M2 [Refer Note 12 (b)]	10,571	10,568
– M4 [Refer Note 12 (b)]	12,766	13,064
– M5 [Refer Note 12 (b)]	13,873	14,080
– Eastern Distributor [Refer Note 12 (b)]	9,887	9,698
– Loan to Sydney Harbour Tunnel Company [Refer Note 10 (b)]	23,043	2,847
M2 and Eastern Distributor Promissory Notes	446	369
Diesel Fuel Grant	230	387
	70,816	130,314

4. GAIN ON DISPOSAL OF NON-CURRENT ASSETS

	2005	2004
	\$000	\$000
Gain on Sale of Property, Plant and Equipment		
– Proceeds from Sale	59,269	29,208
– Written Down Value of Assets Sold	(44,614)	(28,747)
Net Gain on Sale of Non-Current Assets	14,655	461

5. CONDITIONS ON CONTRIBUTIONS

Contributions received during 2004/2005 were recognised as revenue during the financial year and were expended in that period with no balance of those funds available at 30 June 2005.

6. APPROPRIATIONS

	2005	2004
	\$000	\$000
Recurrent Appropriation		
Total recurrent drawdowns from Treasury (per Summary of Compliance)	1,398,816	1,278,099
Less: Liability to Consolidated Fund (per Summary of Compliance)	–	–
	1,398,816	1,278,099
Comprising:		
Recurrent appropriations (per Statement of Financial Performance)	1,398,816	1,278,099
Transfer payments	–	–
	1,398,816	1,278,099
Capital Appropriation		
Total capital drawdowns from Treasury (per Summary of Compliance)	1,093,685	1,067,119
Less: Liability to Consolidated Fund (per Summary of Compliance)	–	–
	1,093,685	1,067,119
Comprising:		
Capital appropriations (per Statement of Financial Performance)	1,093,685	1,067,119
Transfer payments	–	–
	1,093,685	1,067,119

7. INDIVIDUALLY SIGNIFICANT ITEMS

(a) Superannuation Expense

	2005	2004
	\$000	\$000
(Decrease) / Increase in Superannuation Expense due to Tax, Actuarial and Interest Adjustments.	(44,410)	(12,817)

(b) Write-Down of Infrastructure Assets

	2005	2004
	\$000	\$000
Infrastructure Assets Written Down	53,506	10,811

The following infrastructure assets were deleted during 2004-05 (see note 11(c))

	Replacement Cost \$000	Accum Depn \$000	WDRC \$000
Roads	74,297	42,495	31,802
Bridges	50,887	29,876	21,011
Traffic Signals	443	143	300
Traffic Control Network	593	200	393
	126,220	72,714	53,506

The majority of deletions during 2004/2005 related to the transfer to local councils of responsibility for roads and bridges by-passed by the Karuah and Bangor Bypasses.

(c) Reimbursement of Development Costs

	2005	2004
	\$000	\$000
Revenue received following the letting of Lane Cove Tunnel contracts	–	79,301

8. PROGRAMS/ACTIVITIES OF THE AGENCY

(a) Road Network Infrastructure

Network Development

Description: Planning, designing, scheduling and organising the development of road and bridge works.

Objectives: To develop the State's Road network focusing on strategic routes to promote economic growth, improve road safety, encourage greater use of public transport and meet environmental targets.

Maintenance

Description: Manage the primary arterial road network infrastructure as a long-term renewable asset through a program of maintenance and reconstruction works. Provide financial assistance grants to Local Government to assist Councils manage their secondary arterial road network. Manage the provision of disaster repairs for public roads

Objective: To maintain the RTA's roads and bridges as the first priority at a minimum whole of life cost to ensure reliability, safety and retained value. Support Councils' management of their secondary arterial road network.

(b) Road Safety, Licensing and Vehicle Management

Description: Implementing initiatives to increase safe road use behaviour, ensure that drivers and cyclists are eligible and competent, ensure that vehicles meet

roadworthiness and emission standards, and ensure that a high standard of customer service is maintained.

Objective: To reduce the trauma and cost to the community of road deaths and injuries. To reduce adverse impacts of vehicles on roads and the environment. To ensure compliance with driver licensing and vehicle registration requirements.

(c) Traffic and Transport

Description: Improving road network performance through traffic control systems, managing incidents and route management strategies. Providing priority access for buses, improving facilities for cyclists and pedestrians and maintaining traffic facility assets.

Objective: To maximise the efficiency of moving people and goods by better managing the road network and encouraging the use of alternatives to the motor car.

(d) M4 / M5 Cashback Scheme

Description: Reimbursing motorists directly for the toll component paid using Cashback Cards and Electronic Toll Tags on the M4 and M5 Motorways when driving NSW privately registered cars and motorcycles.

Objective: To reimburse tolls to motorists driving NSW privately registered vehicles on the M4 and M5 Motorways.

9. CURRENT ASSETS – CASH ASSETS

The cash balance comprises:

	2005 \$000	2004 \$000
RTA Operating Account	62,844	9,082
Trust Funds	26,296	3,756
Remitting Account, Cash in Transit and Cash on Hand	27,235	28,322
Tcorp - Hour Glass Facility	1,320	62,367
On Call Deposits	66,974	173,342
Other	595	568
	185,264	277,437

For the purposes of the Statement of Cash Flows, cash includes all the above categories of cash assets.

10. CURRENT ASSETS / NON-CURRENT ASSETS – RECEIVABLES

The RTA's receivables are detailed as follows:

(a) Current

	2005 \$000	2004 \$000
Sale of Goods and Services	26,779	28,215
Goods and Services Tax – Claimable from the Commonwealth	25,876	26,922
Other (including cost recoveries relating to motor vehicle accident damage to RTA property and road clearing)	1,738	1,648
	54,393	56,785
Less: Provision for Doubtful Debts	(3,352)	(1,916)
	51,041	54,869
Unissued Debtors	33,690	36,525
Dishonoured Credit Cards	264	646
	84,995	92,040

Accrued Income

– Interest	591	1,048
– Property Sales	45,596	23,489
– Other	2,074	1,237
Total Current	133,256	117,814

Most of the RTA's doubtful debts relate to amounts owing as a result of commercial transactions (eg, debts raised for performance of services or goods) and tenants who vacate premises without notice whilst in arrears.

(b) Non-Current

Non-Current receivables are summarised as follows:

	2005 \$000	2004 \$000
Loan to Sydney Harbour Tunnel Company	94,323	71,281
Promissory Notes	1,982	1,535
Other Loans	–	259
	96,305	73,075

Repayment of the interest free \$222.6 million Net Bridge Revenue Loan by the Sydney Harbour Tunnel Company is due on 31 December 2022. The Loan has been assessed as recoverable as at 30 June 2005 and the receivable is valued on a Net Present Value (NPV) basis.

The loan is considered to be part of the RTA's interest in the Tunnel and, as at 30 June 2005, has been assessed at \$94.323 million (30 June 2004; \$71.281 million).

Promissory Notes relate to amounts receivable under the Private Sector Road Toll agreement in respect of the M2 Motorway and the Eastern Distributor. The promissory notes are redeemable at the earlier of the achievement of certain Internal Rate of Return (IRR) or the end of the respective concession period. The redeemables are valued on a Net Present Value (NPV) basis. See note 12 (b).

II. NON CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

This asset category consists of Land and Buildings, Plant and Equipment and Infrastructure Systems.

	2005 \$000	2004 \$000
Land and Buildings		
At Fair Value	3,434,669	3,242,884
Less Accumulated Depreciation	(14,666)	(18,959)
	3,420,003	3,223,925
Plant and Equipment		
At Fair Value	297,885	290,877
Less Accumulated Depreciation	(165,612)	(162,179)
	132,273	128,698
Infrastructure Systems		
At Fair Value	83,039,161	78,888,238
Less Accumulated Depreciation	(13,724,351)	(13,100,100)
	69,314,810	65,788,138
Total Property, Plant and Equipment and Infrastructure Systems At Net Book Value	72,867,086	69,140,761

(a) Land and Buildings

	Works Administration Properties and Officers Residences Land \$000	Works Administration Properties and Officers Residences Buildings \$000	Land and Buildings Acquired for Future Roadworks \$000	Leasehold Improvements \$000	Total \$000
Balance 1 July 2004	81,509	112,846	3,030,993	17,536	3,242,884
Additions	–	14,025	150,226	2,453	166,704
Disposals	–	(2,604)	(41,382)	(4,533)	(48,519)
Reclassifications	(6,000)	(3,166)	8,558	608	–
Transfer to Infrastructure	–	–	(195,769)	–	(195,769)
Reval. on Transfers	–	–	59,048	–	59,048
Revaluations	37,254	9,057	164,010	–	210,321
Asset Write down	–	–	–	–	–
Balance 30 June 2005	112,763	130,158	3,175,684	16,064	3,434,669
Accumulated Depreciation					
Balance 1 July 2004	–	9,860	–	9,099	18,959
Depreciation Expense	–	4,886	–	3,449	8,335
Write Back on Disposal	–	(2,961)	–	(4,533)	(7,494)
Revaluation	–	(5,134)	–	–	(5,134)
Prior Years Adjustments	–	–	–	–	–
Balance 30 June 2005	–	6,651	–	8,015	14,666
Written Down Value					
As at 30 June 2005	112,763	123,507	3,175,684	8,049	3,420,003
As at 1 July 2004	81,509	102,986	3,030,993	8,437	3,223,925

Land and buildings for future roadworks comprise untenanted land for road works (average rateable value – \$2,183.355 million), surplus properties (market value – \$644.774 million) and rentable properties (market value – \$347.555 million).

(b) Plant and Equipment

	Plant Equipment and Motor Vehicles \$000	Computer Hardware and Software \$000	Electronic Office Equipment \$000	Total \$00
Balance 1 July 2004	186,375	99,096	5,406	290,877
Additions	6,150	3,205	–	9,355
Disposals	(16,117)	(364)	(408)	(16,889)
Reclassifications	12,978	1,559	8	14,545
Balance 30 June 2005	189,386	103,496	5,006	297,888
Accumulated Depreciation				
Balance 1 July 2004	102,011	56,213	3,955	162,179
Depreciation Expense	10,194	6,298	240	16,732
Write Back on Disposal	(12,612)	(341)	(343)	(13,296)
Balance 30 June 2005	99,593	62,170	3,852	165,615
Written Down Value				
As at 30 June 2005	89,793	41,326	1,154	132,273
As at 1 July 2004	84,364	42,883	1,451	128,698

(c) Infrastructure Systems

Infrastructure systems are valued as follows:

	2005 \$000	2004 \$000
Roads – Written Down Replacement Cost		
Opening Balance – Replacement Cost	36,168,855	35,144,437
Additions at cost	493,656	817,887
Deletions	(74,297)	(6,657)
RCl and other adjustments	918,958	–
Revaluation	–	213,188
	37,507,172	36,168,855
<i>Less: Accumulated Depreciation</i>		
Opening Balance	11,399,831	10,826,077
Deletions	(42,496)	(2,194)
Current Year Expense	597,122	582,300
Revaluation	–	(6,352)
	11,954,457	11,399,831
Roads – Written Down Value	25,552,715	24,769,024
Land Under Roads and Within Road Reserves		
Opening Balance	34,354,414	27,471,006
Transfer in from “Land and Buildings acquired for Future Roadworks”	195,740	822,338
Revaluation	1,739,039	6,061,070
Total Land under Roads and Within Road Reserves	36,289,193	34,354,414
Bridges – Written Down Replacement Cost		
Opening Balance – Replacement Cost	7,063,284	6,751,865
New Bridges at cost	333,129	145,335
RCl and other adjustments	410,925	178,045
Deletions	(50,888)	(11,961)
Revaluations	–	–
Closing Balance	7,756,450	7,063,284
<i>Less: Accumulated Depreciation</i>		
Opening Balance	1,606,696	1,540,596
Current Year Expense	79,193	72,326
Write Back on Disposal	(29,876)	(6,226)
	1,656,013	1,606,696
Bridges – Written Down Value	6,100,437	5,456,588

New Bridges at cost includes bridges constructed during the year and existing bridges (not previously brought to account) identified by a Timber Bridge Survey undertaken during the year:

(c) Infrastructure Systems (cont)

	2005 \$000	2004 \$000
Traffic Signals Network – Written Down Replacement Cost		
Opening Balance – Replacement Cost	269,319	249,656
New Traffic Signals at cost	8,519	7,923
Traffic Signals Deleted	(443)	(707)
RCl and other adjustments	5,477	12,447
Closing Balance	282,872	269,319
Less: Accumulated Depreciation		
Opening Balance	75,029	64,953
Current Year Expense	13,382	12,613
Write back on deleted Traffic Signals	(143)	(197)
Revaluation	–	2,340
	88,268	75,029
Traffic Signals Network – Written Down Value	194,604	194,290
Traffic Control Network – Written Down Replacement Cost		
Opening Balance – Replacement Cost	47,999	36,017
Additions at unit replacement rates	10,070	12,274
Deletions	(593)	(292)
	57,476	47,999
Less: Accumulated Depreciation		
Opening Balance	18,544	15,627
Current Year Expense	7,269	3,106
Write back on deleted TMC assets	(200)	(189)
	25,613	18,544
Work-in-Progress	19,399	23,342
Traffic Control Network – Written Down Value	51,262	52,797
Major Works in Progress		
Opening Balance	961,025	935,228
Additions at cost	933,874	769,897
Transfers out on completion	(768,300)	(744,100)
Major Works in Progress	1,126,599	961,025
Total Infrastructure Systems	69,314,810	65,788,138

The network was improved during the year with a number of major projects being opened to traffic. These included stage I of the Windsor Road program, the Pacific Highway's Karuah Bypass and the final stage of the Liverpool to Parramatta Transitway.

The depreciation expense in respect of roads \$597.122 million (2003-04; \$582.300 million) reflects the loss of service potential based on straight-line depreciation methodology.

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

(d) Cultural Collection Assets

At 30 June 2005, no Cultural Collection Assets, including original art works, have been brought to account during the current year (2003-2004; \$0 million).

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

12. CURRENT / NON CURRENT ASSETS – OTHER

(a) Current

These comprise:

	2005 \$000	2004 \$000
Prepayments	6,273	7,142

(b) Non-Current

The RTA's Other Non Current Assets are represented by Private Sector Provided Infrastructure:

	2005 \$000	2004 \$000
Sydney Harbour Tunnel		
Carrying amount at start of year	589,174	568,260
Revaluation	16,211	20,914
Less: Calculation adjustment from previous Year	–	–
Carrying amount at end of year	605,385	589,174
M2 Motorway		
Carrying amount at start of year	61,384	50,816
Annual Increment – Emerging Right to Receive	10,571	10,568
Carrying amount at end of year	71,955	61,384
M4 Motorway		
Carrying amount at start of year	103,707	90,643
Annual Increment – Emerging Right to Receive	12,766	13,064
Carrying amount at end of year	116,473	103,707
M5 Motorway		
Carrying amount at start of year	101,301	87,221
Annual Increment – Emerging Right to Receive	13,873	14,080
Carrying amount at end of year	115,174	101,301
Eastern Distributor		
Carrying amount at start of year	38,912	29,214
Annual Increment – Emerging Right to Receive	9,887	9,698
Carrying amount at end of year	48,799	38,912
	957,786	894,478

Sydney Harbour Tunnel

The RTA's interest in the Sydney Harbour Tunnel has been valued based on the RTA's right to the time share of its ownership, total service potential and remaining useful life at the date of its transfer to the RTA in 2022. At the date of this transfer, the value will equate to the current written down replacement cost of the Tunnel. The cost of constructing the Tunnel was \$683.3 million. The current written down replacement cost of the Tunnel is \$605.385 million (2003-04; \$589.174 million).

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

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

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

During the year ended 30 June 2005, tolls collected from the Tunnel amounted to \$46.009 million (2003-04; \$46.603 million). These tolls were applied to the financial obligations of the Tunnel and resulted in a reduction in ERS payments from \$88.786 million to \$42.777 million (2003-04; \$85.062 million to \$38.459 million).

The RTA however now revalues the Tunnel each year. Based on movements in the Road Cost Index during the 2004-05 reporting period, the RTA's interest in the Tunnel was \$605.385 million as at 30 June 2005, which equated to an increase in the value of the Tunnel during 2004-2005 of \$16.211 million (2003-04; \$20.914 million).

M2 Motorway

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

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

Payments for the rents for the Trust Lease and the Trust Concurrent Lease for the year ended 30 June 2005 have been made by promissory notes in the value of \$6.866 million and \$1.717 million respectively. The RTA, as at 30 June 2005, has received promissory notes for rent on the above leases totalling \$69.232 million. The term of the Agreement ends on the forty fifth anniversary of the M2 commencement date (i.e. 26 May 2042), subject to the provisions of the M2 Motorway Project Deed. The net present value of these promissory notes, as at 30 June 2005, is \$0.759 million.

The RTA has, from the date of completion of the M2 Motorway on 26 May 1997, valued the asset by reference to the RTA's emerging share of the written down replacement cost of the asset at date of handback over the concession period.

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

M4 and M5 Motorways

The RTA has valued the infrastructure assets in respect of the M4 and M5 Motorways by reference to the RTA's emerging share of the written down replacement cost of each asset apportioned over the period of the respective concession agreement.

Ownership of the M4 Motorway and M5 Motorway will revert to the RTA in 2010 and 2023 respectively. The initial concession period for the M5 Motorway was for the period 14 August 1992 to 14 August 2022. In consideration for Interlink Roads undertaking construction of an interchange at Moorebank (M5 Improvements), the initial concession period was extended by 1.11 years to 23 September 2023.

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

Eastern Distributor

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

In consideration of the RTA granting to AML the right to levy and retain tolls on the Eastern Distributor, AML is required to pay concession fees in accordance with the Agreement. From the date of Financial Close, which occurred on 18 August 1997, AML has paid \$120 million by way of promissory notes (being \$15 million on Financial Close and \$15 million on each anniversary of Financial Close). A further \$2.2 million was received in cash six months after Financial Close and \$8 million in cash on the third anniversary of Financial Close. Under the Agreement, the promissory notes show a payment date (subject to provisions in the Project Deed) of 31 December 2042 and, as at 30 June 2005, the promissory notes have a net present value of \$1.222 million.

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

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

Cross City Tunnel

An agreement was signed with the Cross City Motorway (CCM) in December 2002 to design, construct, operate and maintain the Cross City Tunnel. Major construction started on 28 January 2003 with an anticipated completion date of 28 August 2005.

The anticipated construction cost is \$680 million, with the cost being met by the private sector. Under the terms of the agreement, the CCM will operate the motorway for a total of 30 years 2 months from the opening of the Tunnel to traffic, after which the motorway will be transferred back to the Government.

On completion of the Cross City Tunnel, the RTA will value the asset by reference to the RTA's emerging share of the written down replacement cost of the asset over the period of the concession period.

Westlink M7 Motorway

An agreement was signed with the Westlink consortium in February 2003 to design, construct, operate and maintain the Westlink M7 Motorway. Major construction started on 7 July 2003 with an anticipated completion date of August 2006.

The anticipated construction cost is \$1.5 billion. The Federal Government is contributing \$356 million towards the cost of the project with the remainder of the cost being met by the private sector. The RTA is responsible under the contract for the provision of access to property required for the project. Under the terms of the agreement, the Westlink Consortium will operate the motorway for a total of 34 years to July 2040, after which the motorway will be transferred back to the Government.

On completion of the Westlink M7 motorway, the RTA will value the asset by reference to the RTA's emerging share of the written down replacement cost of the asset over the period of the concession period.

Lane Cove Tunnel

An agreement was signed with the Lane Cove Tunnel Company in December 2003 to finance, design, construct, operate and maintain the Lane Cove Tunnel Project. Major construction started on 24 June, 2004 with an anticipated motorway opening date of May 2007.

The anticipated construction cost is \$1.1 billion, with the cost being met by the private sector. The RTA is responsible under the contract for the provision of access to property required for the project, which has been identified by the Project Deed. Under the terms of the agreement, Lane Cove Tunnel Company will design and construct the motorway and then operate the motorway for the remainder of the term of 33 years and 1 month. The term commenced on the date the agreement with LCTC became effective, and will end on 10 January 2037 after which the motorway will be transferred back to the Government.

On completion of the Lane Cove Tunnel, the RTA will value the asset by reference to the RTA's emerging share of the written down replacement cost of the asset over the period of the concession period.

13. CURRENT LIABILITIES – PAYABLES

	2005 \$000	2004 \$000
Trade Creditors	104,878	104,467
Creditors Arising from Compulsory Acquisitions	46,640	75,240
Accrued Expenses		
– Salaries, Wages and Oncosts	2,963	12,773
– Works Contract Expenditure	141,665	129,954
– Work Carried out by Councils	48,201	49,337
– Interest	12,385	11,652
– Other (Including Non Works Contracts)	89,212	88,182
Other	716	5,857
	446,660	477,462

14. CURRENT / NON-CURRENT LIABILITIES – INTEREST BEARING LIABILITIES

	2005 \$000	2004 \$000
Current		
Tcorp Borrowings	160,338	106,263
Other	248	–
	160,586	106,263
Non-Current		
Tcorp Borrowings	658,941	789,842
Other	2,859	1,573
	661,800	791,415

Loan Borrowings are due as follows:

	2005 \$000	2004 \$000
Tcorp		
Within 1 year	160,338	106,263
Between 1 and 2 years	191,945	166,826
Between 2 and 5 years	162,246	201,338
After 5 years	304,750	421,678
	819,279	896,105

The weighted average interest rate on the NSW Treasury Corporation (Tcorp) loan portfolio as at 30 June 2005 is 6.68% (30 June 2004; 6.62%).

	2005 \$000	2004 \$000
Other Loan Borrowings		
Repayable within 1 year	249	–
Between 1 and 5 years	2,158	191
After 5 years	700	1,382
	3,107	1,573

Come and Go Facility.

The "Come and Go" Facility established for cash management purposes was used once to cover funding shortfalls incurring a total interest charge of \$0.004 million (2003-04; \$0.120 million).

Financing arrangements

	2005 \$000	2004 \$000
Unrestricted access was available at the balance sheet date to the "Come and Go" facility:		
Total facility	100,000	70,000
Used at balance sheet date	—	—
Unused at balance sheet date	100,000	70,000

15. FINANCIAL INSTRUMENTS

(a) Interest Rate Risk

Interest rate risk is the risk that the value of the financial instruments will fluctuate due to changes in market interest rates. The RTA's exposure to interest rate risks and the effective interest rates of financial assets and liabilities at the balance sheet date are as follows:

Financial Instrument	Floating Interest Rate		Fixed Interest Rate						Non Interest Bearing		Total Carrying Amount as per Balance Sheet		Weighted Average Effective Interest Rate	
	2005 \$000	2004 \$000	1 Year or Less		Over 1 to 5 years		More than 5 years		2005 \$000	2004 \$000	2005 \$000	2004 \$000	2005	2004
			2005 \$000	2004 \$000	2005 \$000	2004 \$000	2005 \$000	2004 \$000						
Financial Assets														
Cash	75,024	28,322	—	—	—	—	—	—	15,055	9,082	90,079	37,404		
Receivables	—	—	—	—	—	—	—	—	229,447	190,889	229,447	190,889		
Treasury Corp Hourglass	17,747	62,367	—	—	—	—	—	—	—	—	17,747	62,367	5.60%	5.53%
On call Deposits	23,439	177,098	54,000	568	—	—	—	—	—	—	77,439	177,666	5.66%	5.47%
Total – Financial Assets	116,210	267,787	54,000	568	—	—	—	—	244,502	199,971	414,712	468,326		
Financial Liabilities														
Borrowings – Treasury Corp	—	—	160,337	106,263	354,191	368,164	304,751	421,678	—	—	819,279	896,105	6.68%	6.62%
– Tcorp Come and Go	—	—	—	—	—	—	—	—	—	—	—	—		
– Other	—	—	249	—	2,158	191	700	1,382	—	—	3,107	1,573	5.76%	6.54%
Creditors	—	—	—	—	—	—	—	—	104,878	104,467	104,878	104,467		
Contract Security Deposits	—	—	—	—	—	—	—	—	1,737	2,119	1,737	2,119		
Total – Financial Liabilities	—	—	160,586	106,263	356,349	368,355	305,451	423,060	106,615	106,586	929,001	1,004,264		

(b) Credit Risk

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

Financial Instrument	Banks		Governments		Other		Total	
	2005 \$000	2004 \$000	2005 \$M000	2004 \$M000	2005 \$000	2004 \$000	2005 \$000	2004 \$000
Financial Assets								
Cash	75,024	28,322	—	—	15,055	9,082	90,079	37,404
Receivables	—	—	26,922	4,980	202,525	185,909	229,447	190,889
Investments	94,590	239,465	—	—	596	568	95,186	240,033
Total – Financial Assets	169,614	267,787	26,922	4,980	218,176	195,559	414,712	468,326

(c) Net Fair Values

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

(d) Interest rate swap contracts

The borrowings of the RTA are managed by the NSW Treasury Corporation (Tcorp) in accordance with a Memorandum of Understanding. The interest rate risk relating to these borrowings is also managed by Tcorp and accordingly the RTA enters into interest rate swaps. At 30 June 2005 it is obliged to receive interest at variable rates and to pay interest at fixed rates under these swap contracts. The swap contracts are settled on a net basis and the net amount receivable or payable at the reporting date is included in other debtors or creditors.

Swaps currently in place cover approximately 2% (2003-04; 4.00%) of the loan principal outstanding. The fixed interest rate is 6.30% (2003-04; between 5.95% and 6.30%).

At 30 June 2005, the notional principal amounts and periods of expiry of the interest rate swap contracts are as follows:

	2005 \$000	2004 \$000
Within 1 year	—	23,000
Between 1 and 2 years	14,500	—
Between 2 and 5 years	—	14,500
	14,500	37,500

16. CURRENT/NON-CURRENT LIABILITIES – PROVISIONS

	2005 \$000	2004 \$000
Employee Benefits and related On-costs		
Current		
Superannuation	19,464	22,500
Annual Leave	41,836	35,255
Long Service Leave	6,913	22,956
	68,213	80,711
Non-Current		
Superannuation	160,765	234,139
Long Service Leave	176,834	136,097
Workers Compensation (Liability under the former Department of Motor Transport self-insured scheme)	587	612
	338,186	370,848
Total Provisions	406,399	451,559
Aggregate Employee Benefits and related On-costs		
Provisions – current	68,213	80,711
Provisions – non-current	338,186	370,848
Accrued salaries, wages and on-costs [Note 13]	2,963	12,773
	409,362	464,332

The Government Actuary completed an assessment of the Gross Superannuation Liabilities for the defined benefits schemes administered by the SAS Trustee Corporation for the year ended 30 June 2005, identifying the unfunded superannuation liability of the RTA. The assessment was based on the full requirements of AAS25 Financial Reporting by Superannuation Plan which requires that a "market determined risk adjusted discount rate" be applied as the valuation interest rate in the calculation on the value of the accrued benefits. A review of the key economic assumptions used in the 1998 valuation was undertaken prior to calculating the gross superannuation liability of the various defined benefit schemes as at 30 June 2005.

The economic assumptions used are as follows:

	2005/2006 %	2006/2007 %	Thereafter %
Rate of Investment Return	7.0	7.0	7.0
Rate of Salary Increase (*)	4.0	4.0	4.0
Rate of Increase in the CPI	2.5	2.5	2.5

(*) A promotional scale also applies.

This assessment resulted in the RTA's unfunded superannuation liability being decreased by \$76.410 million. During the year the RTA made an additional payment of \$32.000 million (2003-04: \$32 million) against the unfunded superannuation liability.

The unfunded liability disclosed in the Statement of Financial Position is composed of:

	SASS \$000	SANCS \$000	SSS \$000	Total 2005 \$000	Total 2004 \$000
Gross Liability Assessed by Actuaries as at 30 June 2005	261,735	63,087	501,785	826,607	787,476
Less: Investment Reserve Account Balance held by SAS Trustee Corporation (including actuarial, tax and interest adjustments)	(138,094)	(53,818)	(454,466)	(646,378)	(530,837)
Unfunded Liability (Fully Provided in Provisions)	123,641	9,269	47,319	180,229	256,639

17. CURRENT/NON-CURRENT LIABILITIES - OTHER

	2005 \$000	2004 \$000
Current		
Statutory Creditors	24,850	14,222
Principal Outstanding on Bonds Issued to Private Sector	14,006	13,131
Unearned Rent on M4 and M5 Motorways	3,105	3,105
Sydney Harbour Tunnel Tax Liabilities	1,599	1,567
Income Received in Advance	6,566	12,057
Holding Accounts	39,218	33,471
Other creditors	–	354
	89,344	77,907
Non-Current		
Principal Outstanding on Bonds Issued to Private Sector	344,674	358,679
Unearned Rent on M4 and M5 Motorways	20,481	23,662
Sydney Harbour Tunnel Tax Liabilities	21,943	22,232
	387,098	404,573

The liability in respect of the Sydney Harbour Tunnel has been recognised at the Net Present Value (NPV) of the Ensured Revenue Stream Agreement (ERS). This has been calculated at \$358.680 million (2003-04: \$371.811 million), being the principal outstanding as at 30 June 2005 on the bonds issued by the Sydney Harbour Tunnel Company to the private sector.

Since 1993 the RTA has disclosed a possible tax liability as a contingent liability in its annual accounts. This liability crystallised during the 2002-2003 tax year. Following negotiations between interested parties including the Australian Taxation Office, a settlement was entered into between the RTA, the State Government, the Sydney Harbour Tunnel Company Limited and Tunnel Holdings Pty Ltd (refer note 12(b)).

The non-current tax liability has been calculated at net present value.

	2005 \$000	2004 \$000
Current		
Sydney Harbour Tunnel Past Tax Liability	1,260	1,228
Sydney Harbour Tunnel Future Tax Liability	339	339
	1,599	1,567
Non-Current		
Sydney Harbour Tunnel Past Tax Liability	14,205	14,684
Sydney Harbour Tunnel Future Tax Liability	7,737	7,547
	21,942	22,231

Under the M4 lease agreement, \$46.615 million was received from Statewide Roads Pty Ltd (SWR) as rent in advance. In accordance with generally accepted accounting principles, this revenue is brought to account over the period of the lease. This treatment is summarised as follows:

	2005 \$000	2004 \$000
Rent earned in prior years	33,245	30,871
Rent earned in current year	2,375	2,374
Unearned rent as at 30 June 2005	10,995	13,370
	46,615	46,615

The land acquisition loan of \$22.000 million, based on the cost of land under the M5 originally purchased by the RTA, was repaid in June 1997 by Interlink Roads Pty Ltd (ILR). The repayment of the loan is considered to be a prepayment of the remaining rental over the period of the concession agreement. In accordance with AAS 17, this revenue is brought to account over the period of the lease.

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

This treatment is summarised as follows:

	2005 \$000	2004 \$000
Rent earned in prior years	8,678	7,947
Rent earned in current year	731	731
Unearned rent as at 30 June 2005	12,591	13,322
	22,000	22,000

18. CHANGES IN EQUITY

	Accumulated Funds		Asset Revaluation		Total Equity	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000	2005 \$000	2004 \$000
Balance at the beginning of the financial year	40,944,029	40,249,806	27,264,603	20,172,964	68,208,632	60,422,770
Surplus/Deficit for Year	527,807	569,769	–	–	527,807	569,769
Increment/Decrement on:						
– Land and Buildings	–	–	274,503	640,072	274,503	640,072
– Authority Infrastructure	–	–	3,090,581	6,494,356	3,090,581	6,494,356
Transfer of assets under Administrative Arrangements from Department of Environment and Conservation	–	81,665	–	–	–	81,665
Transfers from Asset Revaluation Reserve for asset disposals	65,002	42,789	(65,002)	(42,789)	–	–
Balance at the end of the financial year	41,536,838	40,944,029	30,564,685	27,264,603	72,101,523	68,208,632

19. COMMITMENTS FOR EXPENDITURE

(a) Capital Commitments

	2005 \$000	2004 \$000
Payable no later than 1 year		
– Value of work to be completed	1,142,545	560,943
– Plant, light vehicles, trucks	–	52
Payable later than 1, but not later than 5 years		
– Value of work to be completed	525,964	154,440
– Plant, light vehicles, trucks	–	209
Payable later than 5 years	34,583	58,301
	1,703,092	773,945

(b) Other Expenditure Commitments

	2005	2004
	\$000	\$000
Payable no later than 1 year		
– Value of work to be completed	322,496	281,334
Payable later than 1, but not later than 5 years	82,248	108,212
Payable later than 5 years	38,459	52,769
	443,203	442,315

(c) Operating Lease Commitments

Operating Lease Commitments relate to Property, IT Equipment and Light and Heavy Motor Vehicles.

Operating lease commitments are not recognised in the financial statements as liabilities.

Total Operating Lease Commitments are as follows:

	2005	2004
	\$000	\$000
Not later than 1 year	70,272	72,662
Later than 1 year and not later than 5 years	123,514	154,450
Later than 5 years	16,304	7,514
	210,090	234,626

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

The Property Operating Lease Commitments are as follows:

	2005	2004
	\$000	\$000
Not later than 1 year	25,288	23,368
Later than 1 year and not later than 5 years	41,335	46,780
Later than 5 years	16,304	7,514
	82,927	77,662

IT Equipment Operating Leases have been negotiated with Dell Computer Pty Ltd, Fujitsu Australia Ltd, and Macquarie IT Pty Ltd.

The IT Equipment Operating Lease Commitments are as follows:

	2005	2004
	\$000	\$000
Not later than 1 year	12,567	20,661
Later than 1 year and not later than 5 years	11,676	19,083
Later than 5 years	–	–
	24,243	39,744

The Light Motor Vehicle Lease is with State Fleet Services and is financed by Macquarie Bank. The lease is scheduled to cease in September 2008.

The Light Motor Vehicle Operating Lease Commitments are as follows:

	2005	2004
	\$000	\$000
Not later than 1 year	29,392	26,507
Later than 1 year and not later than 5 years	63,681	83,938
Later than 5 years	–	–
	93,073	110,445

The Heavy Motor Vehicle Lease is held and financed with Orix. The lease is scheduled to cease in July 2007.

The Heavy Motor Vehicle Operating Lease Commitments are as follows:

	2005 \$000	2004 \$000
Not later than 1 year	3,025	2,126
Later than 1 year and not later than 5 years	6,822	4,649
Later than 5 years	—	—
	9,847	6,775

20. CONTINGENT ASSETS

The total commitments detailed above include GST input tax credits of \$214.217 million (2003-04; \$131.732 million) that are expected to be recoverable from the ATO.

21. CONTINGENT LIABILITIES

There are some 3 claims (2003-04; 3 claims) for damage or injury currently being litigated with an estimated total contingent liability to the RTA of \$1.38 million (2003-04; \$1.17 million). Any claims resulting from incidents which have occurred since 1 July 1989 are not included in the above figures as costs for such claims are now covered by the RTA's Insurance with the Treasury Managed Fund.

There are also 8 significant contractual disputes (2003-04; 4 disputes) with an estimated total contingent liability of \$38.211 million (2003-04; \$1.71 million).

22. NATIVE TITLE

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

In this regard the RTA has undertaken an assessment of the impact on its financial position. This assessment indicates as at 30 June 2005 there were no Native Title claims, which had, been initiated against the RTA.

23. BUDGET REVIEW

(a) Net Cost of Services

The actual net cost of services of \$1,965 million was \$252 million more than the budget. This variance was primarily due to an increase of \$118 million in depreciation, \$142 million in other operating expenses and \$68 million in maintenance expenditure. These increases in expenditure were in part offset by higher than expected revenue from grants and contributions of \$17 million and gains on disposal of non-current assets of \$15 million. Motor Vehicle Tax collected during the year increased by \$55 million compared with 2003-04 to \$1,003 million.

(b) Assets and Liabilities

Net assets have increased by \$10,205 million as compared to budget. This is principally due to an increase in the value of Infrastructure Systems of \$9,950 million, including a revaluation of \$3,074 million, which was not included in the budget estimate.

The value of land and buildings held increased by \$206 million as compared to budget, while current assets decreased by \$31 million, and receivables increased by \$46 million.

The change in net assets is also impacted by an increase in total liabilities of \$50 million as compared to the budget. This is principally due to increases in payables of \$113 million in part set off by a decrease in provisions of \$9 million.

(c) Cash Flows

Net cash flow from operating activities is \$83 million less than the budget. This was mainly due to an increase in operating expenditure of \$205 million, offset by an increase in external revenue of \$45 million and an increase in revenue from the Consolidated Fund of \$77 million.

Net cash outflow in relation to investing activities is \$13 million less than the budget due to purchases of land and buildings, plant and equipment and infrastructure systems being \$5 million less than the budget. This was offset by asset sales being \$7 million more than budget.

A variance of \$11 million in respect of the opening cash as compared to the budget has occurred due to the fact that the 2004-05 budget was prepared prior to the finalisation of 2003-04 financial statements.

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

	2005 \$000	2004 \$000
Net Cost of Services	(1,964,694)	(1,775,449)
Depreciation and amortisation	698,785	692,082
(Decrease)/Increase in Provisions and Entitlements	(45,160)	(34,468)
Rent Revenue in respect of M4 and M5 Motorways	(3,181)	(3,030)
Value of Emerging Interest of Private Sector Provided Infrastructure	(47,098)	(50,256)
ERS payments utilised to redeem current principal portion of bonds issued to Private Sector	(14,295)	(13,133)
Increase/(Decrease) in Payables and Other Liabilities	(2,476)	63,328
(Increase) in Receivables and Other Assets	(4,419)	(31,122)
Loss on Sale of Assets	38,851	12,874
Increase in inventory	(336)	–
Sydney Harbour Tunnel Tax Liabilities	–	(252)
Contributions from Government	2,492,501	2,345,218
Net Cash used on Operating Activities	1,148,478	1,205,792

END OF AUDITED FINANCIAL STATEMENTS

Supplementary Financial Information
For the Year Ended 30 June 2005

The Year in Brief 2004-05

	Initial Budget \$M	Actual \$M
NEW FUNDS AVAILABLE		
Commonwealth		
National Highways	352	383
Roads of National Importance	121	135
Federation Fund	12	20
Australian Transport Safety Bureau – Blackspots Program	14	15
Other	24	20
Total Commonwealth	523	573
State		
Motor Vehicle Taxes	981	1,003
Consolidated Fund Allocation	658	643
Untied – Commonwealth Road Funds	147	147
M4/M5 Cashback Scheme	77	77
RTA Revenue	357	388
Total State	2,220	2,258
TOTAL NEW FUNDS	2,743	2,831
Use of Cash Balances	24	54
Increase in Liabilities/Reduction in Operational Assets	22	(25)
Total Fund Utilised	2,789	2,860
EXPENDITURE		
Road Network Infrastructure		
– Network Development	1,078	1,010
– Infrastructure Maintenance	815	809
Traffic and Transport	219	343
Road Safety, Licensing and Vehicle Management	450	476
Debt Servicing and Repayment	145	142
M4/M5 Cashback	77	78
Voluntary Redundancies	5	2
Total Expenditure	2,789	2,860

Supplementary Financial Information
For the Year Ended 30 June 2005

2004-05 Budget

Funds budgeted to be available to the Roads and Traffic Authority for 2004-05 as published in state Budget Paper No. 3 amounted to \$2,789 million. Variations to the initial budget were as follows:

	\$M	Actual \$M
TOTAL INITIAL BUDGET		2,789
<i>Add: Increase in Receipts</i>		
Commonwealth Funds	26	
Motor Vehicle Taxation	19	
Consolidated Fund Revenue	1	
RTA Revenue	37	83
		2,872
<i>Add: Increase in use of Cash Balances</i>		
		3
		2,875
<i>Add: Increase in Balance Sheet Movements</i>		
		3
TOTAL REVISED BUDGET		2,878

Total funds available for 2004-05 amounted to \$2,860 million and variances from the revised budget were as follows:

	\$M	\$M
TOTAL REVISED BUDGET		2,878
Increase in Receipts		
Commonwealth Funds	23	
Motor Vehicle Tax	3	26
		2,904
<i>Less: Decrease in Receipts</i>		
RTA Revenue		(20)
		2,884
<i>Less: Decrease in Balance Sheet Movements</i>		
		(50)
		2,834
<i>Add: Increase in use of Cash Balances</i>		
		26
ACTUAL TOTAL FUNDS AVAILABLE		2,860

Supplementary Financial Information
For the Year Ended 30 June 2005

The Year Ahead

2005/06 Budget
\$M

	2005/06 Budget \$M
NEW FUNDS AVAILABLE	
Commonwealth	
National Highways	363
Roads of National Importance	95
Australian Transport Safety Bureau – Blackspots Program	14
Other	25
Total Commonwealth	497
State	
Motor Vehicle Taxes	1,046
Consolidated Fund Allocation	657
Untied – Commonwealth Road Funds	151
M4/M5 Cashback Scheme	83
RTA Revenue	386
Total State	2,323
TOTAL NEW FUNDS	2,820
Use of Cash Balances	39
Increase in Liabilities/Reduction in Operational Assets	24
Total Fund Utilised	2,883
EXPENDITURE	
Road Network Infrastructure	
– Network Development	1,079
– Infrastructure Maintenance	869
Traffic and Transport	248
Road Safety, Licensing and Vehicle Management	467
Debt Servicing and Repayment	132
M4/M5 Cashback	83
Voluntary Redundancies	5
Total Expenditure	2,883

Supplementary Financial Information For the Year Ended 30 June 2005

Commonwealth Grants

The Commonwealth Government provides road funding to New South Wales for the construction and maintenance of National Highways, upgrading Roads of National Importance, Road Safety Blackspots Program and for the replacement of three Murray River crossings under the Centenary of Federation Fund.

Funding received in 2004-05 was \$382.9 million (2003-04: \$318.9 million) for National Highways, \$134.5 million (2003-04: \$99.3 million) for Roads of National Importance, \$14.8 million (2003-04: \$13.8 million) for the Road Safety Blackspots Program and \$20.5 million (2003-04: \$8.5 million) for the Centenary of Federation Fund bridges.

Interstate Road Transport Act, 1985

The Interstate Road Transport Act, 1985 enables heavy vehicles to have Federal registration if they are not registered in a State or Territory and are involved only in interstate trade.

Under the Federal Scheme vehicle owners are required to pay either a flat rate or a charge based on distance travelled. The moneys are collected in NSW by the RTA on behalf of the Commonwealth and paid into the Interstate Road Transport Trust Fund. The proceeds are then distributed to the States as a contribution towards road repair and maintenance costs.

Funds received by the RTA under this scheme during 2004-05 amounted to \$19.9 million (2003-04: \$19.2 million).

State Sources

Motor Vehicle Taxation

Motor vehicle taxation, collected by the RTA when vehicles are registered, is hypothecated to the Roads Program. During 2004-05 receipts from motor vehicle taxation totalled \$1,002.8 million (2003-04: \$947.5 million).

Number of Registered Motor Vehicles in NSW

Year	Number of Motor Vehicles Registered *	% Change Over Previous Year
1995-1996	3,367,092	1.7(+)
1996-1997	3,421,409	1.6(+)
1997-1998	3,493,340	2.1(+)
1998-1999	3,535,732	1.2(+)
1999-2000	3,636,353	2.8(+)
2000-2001	3,729,100	2.6(+)
2001-2002	3,821,229	2.5(+)
2002-2003	3,930,458	2.9(+)
2003-2004	4,046,361	2.9(+)
2004-2005	4,115,150	1.7(+)

* Excluding plant, tractors, trailers and caravans.

Contribution for Specific Works

The following contributions towards specific works were received during 2004-05.

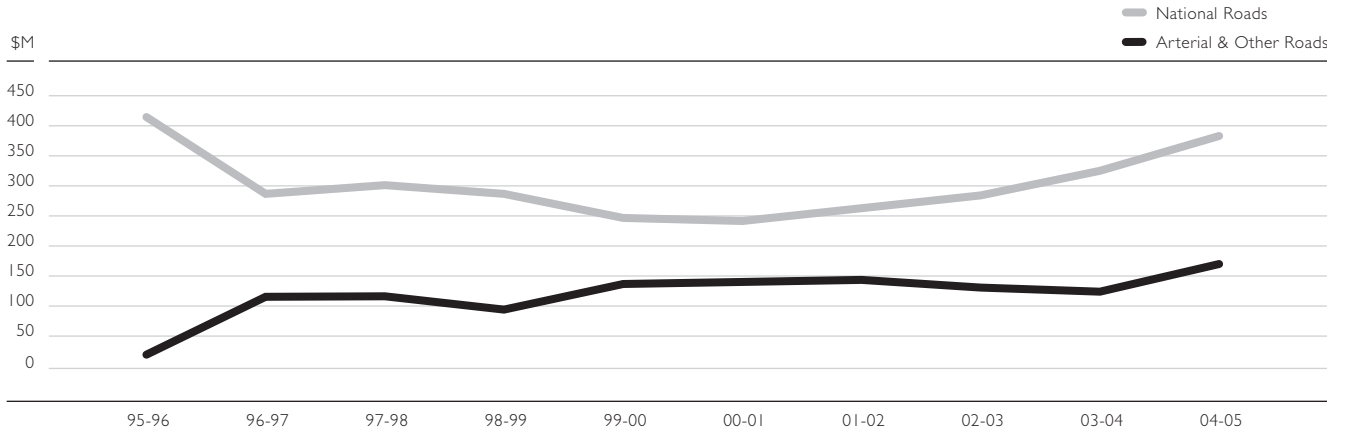
	\$M
State Government Departments	34.765
Commonwealth Government	3.553
Councils	4.660
Private Firms and Individuals	7.807
	50.785

Untied Commonwealth Road Grants

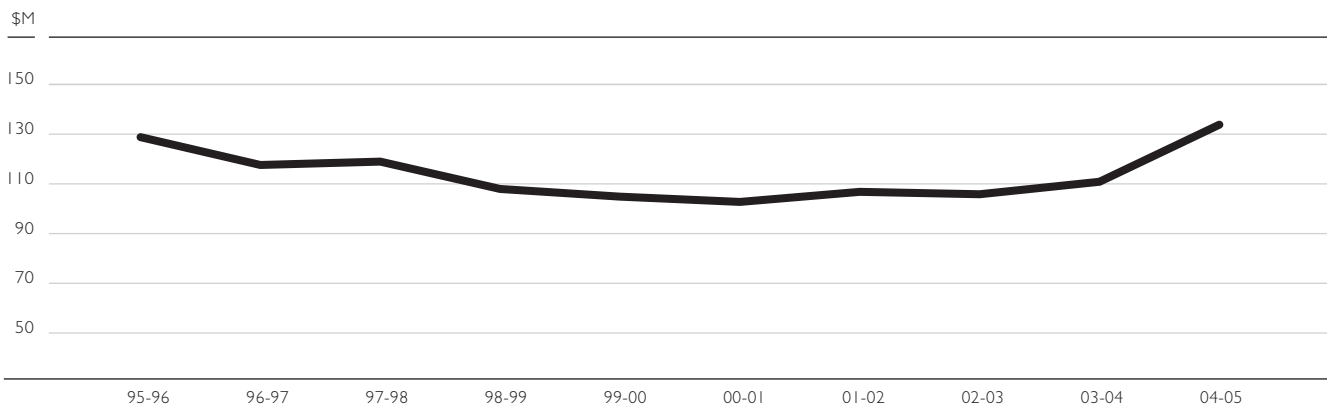
Since 1990-91, Commonwealth road funds have been allocated to the States under the *Australian Land Transport Development Act*. However, the Commonwealth decided that funds previously allocated for the State's arterial roads were to be untied from 1 January 1994 and were to be provided to the States under the heading of "Identified Roads Grants within the General Revenue Assistance to the States".

The Commonwealth Government untied road funding to NSW for 2004-05 was \$146.9 million (2003-04: \$137.2 million).

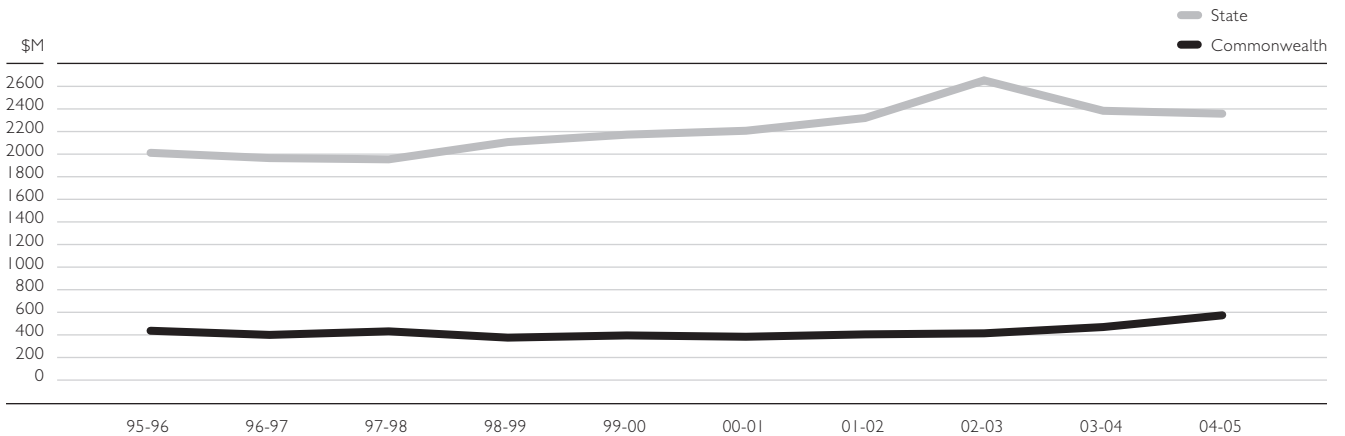
COMMONWEALTH GRANTS CONSTANT DOLLAR 2004-2005 TERMS



COMMONWEALTH GRANTS PER REGISTERED VEHICLE CONSTANT DOLLAR 2004-2005 TERMS



FUNDING OF STATE ROAD NETWORK CONSTANT DOLLAR 2004-2005 TERMS



Supplementary Financial Information
For the Year Ended 30 June 2005

Road Cost Index

The Authority's road Cost Index, which is used to adjust money values in various tables and graphs within tis Annual Report, is shown in the table 'Roads and Traffic Authority Road Cost Index'.

The index, which has been specifically developed by the RTA, is widely accepted as a measure of change in the cost of roadworks, bridgeworks and traffic facilities. It is based upon changes in prices of samples within the broad elements of wages, stores, plant, haulage, corporate and regional administration, property acquisitions and financing costs. Each index component has been allocated a predetermined weighting which is reviewed at 3 to 4 yearly intervals to adjust for changes in the proportions used in RTA roadwork activities. The last review was completed in June 2002. Expenditure and basic weights have been updated to reflect the current expenditure composition in the development and maintenance of road, bridge and traffic facilities. The index was also rebased from 1996-97 to 2002-03.

Roads and Traffic Authority Road Cost Index (Base year: 2002-03=100.0)

	Index	% Increase/(Decrease) over previous year
1995-1996	83.0	5.1
1996-1997	85.2	2.7
1997-1998	87.4	2.5
1998-1999	91.2	4.4
1999-2000	91.5	0.4
2000-2001	92.9	1.5
2001-2002	94.3	1.5
2002-2003	100.0	6.1
2003-2004	104.8	4.8
2004-2005	107.1	2.1

Payments to Councils

Payments made to local government councils during 2004-05 were as follows:

	\$M	\$M
Classified Roads		
– Development	6,546	–
– Maintenance	262,888	–
– Vehicle Management	0,017	–
– Road Safety	24,420	–
– Traffic Management	41,995	335,866
Local Roads		
– Natural Disasters		11,841
		347,707

Supplementary Financial Information
For the Year Ended 30 June 2005

Administered Revenues – Collections

The RTA administers, but does not control, the collection of various fees, fines and levies on behalf of the Crown Transactions Entity. Monies collected on behalf of the Crown Transactions Entity are not recognised as the RTA's revenues.

The RTA's Administered revenue Collections were as follows:

	Total 2004-05 \$M	Total 2003-04 \$M
(A) Consolidated Fund Receipts		
Vehicle Registration Fees	208.585	198.569
Drivers Licence Fees	135.496	93.512
Vehicle Transfer Fees	35.172	34.139
Other Fees and Charges	40.540	29.805
Total	419.793	356.025
(B) Collections – Other Authorities		
Unregistered Vehicle Permit (QBE)	6.268	5.512
Stamp Duty	570.144	580.945
Interstate Road Transport Scheme Report	8.939	7.687
Firearms Licence Fees	1.566	0.433
Security Licence Fees	(0.564)	(0.478)
Proof of Age	0.798	0.800
Other Fees and Charges	0.339	1.754
Total	587.490	596.653