



FINANCIAL STATEMENTS

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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 (the Authority):

- presents fairly the Authority's and the consolidated entity's (defined below) financial position as at 30 June 2006 and their performance for the year ended on that date, in accordance with Accounting Standards and other mandatory financial reporting requirements in Australia, and
- complies with section 45E of the *Public Finance and Audit Act 1983* (the Act) and the *Public Finance and Audit Regulation 2005*.

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

Scope

The Financial Report and Chief Executive of the Roads and Traffic Authority of New South Wales's Responsibility

The financial report comprises the operating statements, statements of changes in equity, balance sheets, cash flow statements, the program statement - expenses and revenues, the summary of compliance with financial directives and accompanying notes to the financial statements for the Authority and consolidated entity, for the year ended 30 June 2006. The consolidated entity comprises the Authority and the entities it controlled during the financial year.

The Chief Executive of the Roads and Traffic Authority of New South Wales is responsible for the preparation and true and fair presentation of the financial report in accordance with the Act. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

I conducted an independent audit in order 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 Standards and statutory requirements, and I:

- assessed the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Chief Executive of the Roads and Traffic Authority of New South Wales in preparing the financial report, and
- examined a sample of evidence that supports the amounts and disclosures in the financial report.
- about the future viability of the Authority or its controlled entities,
- that they have carried out their activities effectively, efficiently and economically,
- about the effectiveness of their internal controls, or
- on the assumptions used in formulating the budget figures disclosed in the financial report.

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.



A T Whitfield, FCA
Acting Auditor-General

SYDNEY
21 September 2006

ROADS AND TRAFFIC AUTHORITY

YEAR ENDED 30 JUNE 2006

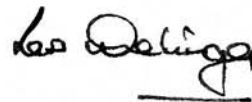
Pursuant to Section 41C(1B) and (1C) of the Public Finance and Audit Act 1983, we declare that in our opinion:

1. The accompanying financial statements exhibit a true and fair view of the Authority's financial position as at 30 June 2006 and transactions for the year then ended
2. The statements have been prepared in accordance with the provisions of the Public Finance and Audit Act 1983, the Public Finance and Audit Regulation 2005, the Treasurer's Directions and the directives of the Financial Reporting Code.

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



Brett Skinner
Director, Finance
20 September 2006



Les Wielinga
Chief Executive
20 September 2006

BEGINNING OF AUDITED FINANCIAL STATEMENTS

OPERATING STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

	Notes	Consolidated			Parent	
		Budget	Actual	Actual	Actual	Actual
		2006	2006	2005	2006	2005
		\$'000	\$'000	\$'000	\$'000	\$'000
Expenses excluding losses						
Operating Expenses						
– Employee Related	2(a)	397,603	267,356	401,555	267,356	401,555
– Other Operating Expenses	2(b)	476,547	514,921	512,827	514,921	512,827
Maintenance	2(b)	568,978	571,557	592,369	571,557	592,369
Depreciation and Amortisation	2(c)	717,619	690,225	704,179	690,225	704,179
Grants and Subsidies	2(d)	85,013	18,242	35,984	18,242	35,984
Finance costs	2(e)	62,427	63,582	66,854	63,582	66,854
Total Expenses excluding losses		2,308,187	2,125,883	2,313,768	2,125,883	2,313,768
Less:						
Revenue						
Sales of Goods and Services	3(a)	252,939	274,309	249,537	274,309	249,537
– Investment Income	3(b)	10,150	2,508	8,123	2,508	8,123
– Grants and Contributions	3(c)	50,487	61,272	50,785	61,272	50,785
– Other Revenue	3(d)	71,192	65,777	55,746	65,777	55,746
Total Revenue		384,768	403,866	364,191	403,866	364,191
Gain/(loss) on disposal	4(a)	64	17,261	17,357	17,261	17,357
Other gains/(losses)	4(b)	(550)	(76,744)	(53,506)	(76,744)	(53,506)
Net Cost of Services	24	1,923,905	1,781,500	1,985,726	1,781,500	1,985,726
Government Contributions						
– Recurrent Appropriation	6	1,475,806	1,475,806	1,398,816	1,475,806	1,398,816
– Capital Appropriation	6	1,037,323	1,037,323	1,093,685	1,037,323	1,093,685
Total Government Contributions		2,513,129	2,513,129	2,492,501	2,513,129	2,492,501
SURPLUS / (DEFICIT) FOR THE YEAR	26	589,224	731,629	506,775	731,629	506,775

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2006

	Notes	Consolidated			Parent	
		Budget 2006 \$000	Actual 2006 \$000	Actual 2005 \$000	Actual 2006 \$000	Actual 2005 \$000
Net increase/(decrease) in asset revaluation reserve	19	–	(1,645,505)	3,300,082	(1,645,505)	3,300,082
Decrease in fair value of Private Sector Provided Infrastructure – change in accounting policy	19	–	–	(115,181)	–	(115,181)
Financial instruments – first time adoption	19	–	(22,298)	–	(22,298)	–
Other net increases/(decreases) in equity	19	–	41,637	65,002	41,637	65,002
Total income and expense recognised directly in equity		–	(1,626,166)	3,249,903	(1,626,166)	3,249,903
Surplus/(Deficit) for the Year	19	589,224	731,629	506,775	731,629	506,775
Total income and expense recognised for the year		589,224	(894,537)	3,756,678	(894,537)	3,756,678
Effect of changes in Accounting Policy and Correction of Errors						
Accumulated Funds	19	–	–	(115,181)	–	(115,181)
	19 and 26	–	–	(500,701)	–	(500,701)
Reserves	1(z)(iv)	–	–	(993,182)	–	(993,182)
	19 and 26	–	–	(96,330)	–	(96,330)

The accompanying notes form part of these financial statements.

BALANCE SHEET
AS AT 30 JUNE 2006

	Notes	Consolidated			Parent	
		Budget	Actual	Actual	Actual	Actual
		2006	2006	2005	2006	2005
		\$000	\$000	\$000	\$000	\$000
ASSETS						
Current Assets						
Cash and cash equivalents	9	234,435	140,975	185,264	140,975	185,264
Receivables	10(a)	117,814	105,439	133,256	105,439	133,256
Inventories		6,013	7,646	7,440	7,646	7,440
Other	12(a)	7,142	5,703	6,273	5,703	6,273
Non-current assets held for sale	13	–	38,282	37,265	38,282	37,265
Total Current Assets		365,404	298,045	369,498	298,045	369,498
Non-Current Assets						
Other financial assets	10(b)	76,071	83,801	96,305	83,801	96,305
Property, Plant and Equipment						
– Land and Buildings	11(a)	3,253,412	2,845,071	3,383,178	2,845,071	3,383,178
– Plant and Equipment	11(b)	68,700	100,761	102,652	100,761	102,652
– Infrastructure Systems	11(c)	66,763,538	67,835,492	68,314,009	67,835,492	68,314,009
Intangible assets	12(c)	–	28,329	29,181	28,329	29,181
Other	12(b)	1,007,866	903,350	827,535	903,350	827,535
Total Non-Current Assets		71,169,587	71,796,804	72,752,860	71,796,804	72,752,860
Total Assets		71,534,991	72,094,849	73,122,358	72,094,849	73,122,358
LIABILITIES						
Current Liabilities						
Payables	14	470,906	465,316	446,660	465,316	446,660
Borrowings	15	28,617	145,973	160,586	145,973	160,586
Provisions	17	95,978	252,739	245,047	252,739	245,047
Other	18	88,593	140,902	89,344	140,902	89,344
Total Current Liabilities		684,094	1,004,930	941,637	1,004,930	941,637
Non-Current Liabilities						
Borrowings	15	723,632	685,810	661,800	685,810	661,800
Provisions	17	580,262	197,868	386,811	197,868	386,811
Other	18	727,169	725,682	757,014	725,682	757,014
Total Non-Current Liabilities		2,031,063	1,609,360	1,805,625	1,609,360	1,805,625
Total Liabilities		2,715,157	2,614,290	2,747,262	2,614,290	2,747,262
Net Assets		68,819,834	69,480,559	70,375,096	69,480,559	70,375,096
EQUITY						
Reserves	19	27,287,747	27,829,667	29,475,173	27,829,667	29,475,173
Accumulated Funds	19	41,532,087	41,650,892	40,899,923	41,650,892	40,899,923
Total Equity		68,819,834	69,480,559	70,375,096	69,480,559	70,375,096

The accompanying notes form part of these financial statements.

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006**

	Notes	Consolidated			Parent	
		Budget 2006 \$'000	Actual 2006 \$'000	Actual 2005 \$'000	Actual 2006 \$'000	Actual 2005 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
Employee Related		(389,875)	(483,332)	(438,051)	(483,332)	(438,051)
Grants and Subsidies		(85,784)	(19,031)	(36,755)	(19,031)	(36,755)
Finance costs		(57,600)	(58,892)	(61,175)	(58,892)	(61,175)
Other		(1,230,653)	(1,229,751)	(1,312,909)	(1,229,751)	(1,312,909)
Total Payments		(1,763,912)	(1,791,006)	(1,848,890)	(1,791,006)	(1,848,890)
Receipts						
Sale of Goods and Services		253,493	296,785	228,132	296,785	228,132
Interest		10,150	2,138	7,878	2,138	7,878
Other		218,313	272,825	268,857	272,825	268,857
Total Receipts		481,956	571,748	504,867	571,748	504,867
Cash Flows from Government						
Recurrent Appropriation		1,475,806	1,475,806	1,398,816	1,475,806	1,398,816
Capital Appropriation		1,037,323	1,037,323	1,093,685	1,037,323	1,093,685
Net Cash Flows from Government		2,513,129	2,513,129	2,492,501	2,513,129	2,492,501
NET CASH FLOWS FROM OPERATING ACTIVITIES	25	1,231,173	1,293,871	1,148,478	1,293,871	1,148,478
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from Sale of Land and Buildings, Plant and Equipment and Infrastructure Systems		32,624	41,188	59,269	41,188	59,269
Advance repayments received		–	19,163	–	19,163	–
Purchases of Land and Buildings, Plant and Equipment and Infrastructure Systems		(1,203,734)	(1,398,424)	(1,219,682)	(1,398,424)	(1,219,682)
Advances made		(2,019)	–	–	–	–
Other		–	(3,721)	–	(3,721)	–
NET CASH FLOWS FROM INVESTING ACTIVITIES		(1,173,129)	(1,341,794)	(1,160,413)	(1,341,794)	(1,160,413)
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from borrowings and advances		8,290	3,634	–	3,634	–
Repayment of borrowings and advances		(82,400)	–	(80,238)	–	(80,238)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(74,110)	3,634	(80,238)	3,634	(80,238)
NET INCREASE /(DECREASE) IN CASH		(16,066)	(44,289)	(92,173)	(44,289)	(92,173)
Opening Cash and Cash Equivalents		250,501	185,264	277,437	185,264	277,437
CLOSING CASH AND CASH EQUIVALENTS	9	234,435	140,975	185,264	140,975	185,264

The accompanying notes form part of these financial statements.

PROGRAM STATEMENT

EXPENSES AND REVENUES

FOR THE YEAR ENDED 30 JUNE 2006

	Road Network Infrastructure*		Road Safety, Licensing and Vehicle Management		Traffic and Transport		M4/M5 Cashback Scheme		Not Attributable		Total	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000	2006 \$000	2005 \$000	2006 \$000	2005 \$000	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Expenses excluding losses												
Operating Expenses												
– Employee Related	106,949	199,123	117,252	179,227	43,155	23,205	–	–	–	–	267,356	401,555
– Other Operating Expenses	95,116	88,440	254,233	254,785	83,772	91,285	81,800	78,317	–	–	514,921	512,827
Maintenance	422,579	416,648	–	325	148,978	175,396	–	–	–	–	571,557	592,369
Depreciation and Amortisation	680,756	695,885	8,085	7,048	1,384	1,246	–	–	–	–	690,225	704,179
Grants and Subsidies	8,151	25,624	9,244	9,532	847	828	–	–	–	–	18,242	35,984
Finance costs	63,582	66,854	–	–	–	–	–	–	–	–	63,582	66,854
Total Expenses excluding losses	1,377,133	1,492,574	388,814	450,917	278,136	291,960	81,800	78,317	–	–	2,125,883	2,313,768
Revenue												
Sales of Goods and Services	147,101	136,001	117,292	105,686	9,916	7,850	–	–	–	–	274,309	249,537
Investment Income	2,005	6,470	158	734	345	919	–	–	–	–	2,508	8,123
Grants and Contributions	30,207	24,807	4,722	6,432	26,343	19,546	–	–	–	–	61,272	50,785
Other Revenue	65,749	55,597	13	69	15	80	–	–	–	–	65,777	55,746
Total Revenue	245,062	222,875	122,185	112,921	36,619	28,395	–	–	–	–	403,866	364,191
Gain/(Loss) on disposal	17,261	17,357	–	–	–	–	–	–	–	–	17,261	17,357
Other gains/(losses)	(54,027)	(37,697)	(14,404)	(10,024)	(8,313)	(5,785)	–	–	–	–	(76,744)	(53,506)
Net Cost of Services	1,168,837	1,290,039	281,033	348,020	249,830	269,350	81,800	78,317	–	–	1,781,500	1,985,726
Government Contributions**									2,513,129	2,492,501	2,513,129	2,492,501
NET EXPENDITURE/ (REVENUE) FOR THE YEAR	1,168,837	1,274,969	267,751	348,020	241,517	269,350	81,800	78,317	(2,513,129)	(2,492,501)	(731,629)	(506,775)

ADMINISTERED REVENUE

	Road Network Infrastructure*		Road Safety, Licensing and Vehicle Management		Traffic and Transport		M4/M5 Cashback Scheme		Not Attributable		Total	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000	2006 \$000	2005 \$000	2006 \$000	2005 \$000	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Administered revenues												
Transfer receipts Consolidated Fund												
– Taxes, Fees and Fines									434,688	419,793	434,688	419,793
– Other									567,817	587,489	567,817	587,489
Total Administered Revenues	–	–	–	–	–	–	–	–	1,002,505	1,007,282	1,002,505	1,007,282

* 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 2006**

	2006				2005			
	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								
– <i>Appropriation Act</i>	1,467,398	1,467,398	1,022,587	1,022,587	1,400,219	1,393,417	1,015,172	1,015,172
– Additional Appropriations								
– s21A PF&AA – special appropriation								
– s24A PF&AA – transfers of functions between departments								
– s26A PF&AA – Commonwealth specific purpose payments	–	–	7,756 6,980	7,756 6,980	–	–	53,212	53,212
Other Appropriation/ Expenditure								
– Treasurer's advance	–	–	–	–	878	878	8,000	8,000
– Section 22 – expenditure for certain works and services								
– Section 22A(2) – <i>Motor Vehicle Taxation Act</i> (hypothecation of motor vehicle tax)	11,248	11,248	–	–	4,543	4,543	17,301	17,301
– Section 225 – <i>Roads Act</i> (hypothecation of heavy vehicle overloading fines)	1,189	1,189	–	–	515	515	–	–
– Transfers to/from another agency (s28 of the <i>Appropriations Act</i>)	(588)	(588)	–	–	(537)	(537)	–	–
– Other adjustments	(3,441)	(3,441)						
Total Appropriations/ Expenditure/Net Claim on Consolidated Fund (includes transfer payments)	1,475,806	1,475,806	1,037,323	1,037,323	1,405,618	1,398,816	1,093,685	1,093,685
Amount drawn down against Appropriation		1,503,856		1,037,323		1,398,816		1,093,685
Liability to Consolidated Fund		28,050		–		–		–

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

Consolidated funding for the RTA's Road Program is classified as recurrent and capital appropriation based upon the way in which the appropriations are expended.

The Program, as part of its appropriation, receives all the revenue from motor vehicle taxes in accordance with the *Motor Vehicle Taxation Act*, with the level of the funds from the motor vehicle taxes not known until 30 June each year.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS OF THE ROADS AND TRAFFIC AUTHORITY FOR THE YEAR ENDED 30 JUNE 2006

I SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

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

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

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

These financial statements have been authorised for issue by the Audit Committee on 15 September 2006.

(b) Basis of Preparation

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

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

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

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

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

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

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

(c) Statement of Compliance

The consolidated and parent entity financial statements and notes comply with Australian Accounting Standards, which include AEIFRS.

This is the first financial report prepared based on AEIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly, unless otherwise permitted.

In accordance with AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* and Treasury Mandates, the date of transition to AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* has been deferred to 1 July 2005 and, as a result, comparative information for these two Standards is presented under the previous Australian Accounting Standards which applied to the year ended 30 June 2005. Under previous Accounting Standards, financial instruments were recognised at cost, with the exception of TCorp Hour-Glass Facilities and Managed Fund Investments, which were measured at fair value.

UIG 9 has been early adopted effective 1 July 2005 regarding the reassessment of embedded derivatives.

At the reporting date, a number of Accounting Standards adopted by the AASB had been issued but are not yet operative and have not been early adopted by the RTA. The following is a list of these standards:

- AASB 7 – *Financial Instruments: Disclosure* (issued August 2005)
- AASB 119 – *Employee Benefits* (issued December 2004)
- AASB 2004-3 – *Amendments to Australian Accounting Standards* (issued December 2004)
- AASB 2005-1 – *Amendments to Australian Accounting Standards* (issued May 2005)
- AASB 2005-5 – *Amendments to Australian Accounting Standards* (issued June 2005)
- AASB 2005-9 – *Amendments to Australian Accounting Standards* (issued September 2005)
- AASB 2005-10 – *Amendments to Australian Accounting Standards* (issued September 2005)
- AASB 2006-1 – *Amendments to Australian Accounting Standards* (issued January 2006)

The initial application of these standards will have no impact on the financial results of the RTA. The Standards are operative for annual reporting periods beginning on or after 1 January 2006.

Reconciliations of AEIFRS equity and surplus or deficit for 30 June 2005 to the balances reported in the AGAAP 2004–05 financial report and detailed in Note 26. This note also includes separate disclosure of the 1 July 2005 equity adjustments arising from the adoption of AASB 132 and AASB 139.

(d) Principles of Consolidation

This financial report has been consolidated in accordance with Australian Accounting Standard AASB 124 *Consolidated and Separate Financial Statements* and includes the assets, liabilities, equities, revenues and expenses of the RTA including those entities controlled by the RTA.

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

of the Government Service of New South Wales' (the Division). The Division is a controlled entity of the RTA and all transactions and balances between the RTA and the Division have been eliminated.

(e) Administered Activities

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

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

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

(f) Income Recognition

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

(i) *Parliamentary Appropriations and Contributions from other Bodies*

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

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

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 Rendering of Services

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

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

(iii) Investment Income

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

(iv) Gains and Losses (in the Operating Statement)

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

(v) Emerging Interests in Private Sector Provided Infrastructure (PSPI) projects

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

(vi) Amortisation of Deferred Revenue on PSPI Projects

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

(g) Employee Benefits and Other Provisions

(i) Salaries and Wages, Annual Leave, Sick Leave and 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 where it is probable that settlement will be required and where they are capable of being measured reliably on an undiscounted basis.

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

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

(ii) Long Service Leave and Superannuation

Long service leave is 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 in accordance with AASB 119 *Employee Benefits*. Market yields on government bonds of 5.335% are used to discount long term annual leave.

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.

(iii) Other Provisions

Other provisions exist when: the agency has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

(h) Borrowing Costs

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

(i) Insurance

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

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

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

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

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

(k) Acquisitions of Assets

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

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

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

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

(l) Asset Management Policy

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

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

Plant and equipment costing above \$5,000 individually (or forming part of a network costing more than \$5,000) are capitalised. From 1 January 2006, the threshold was revised to \$10,000.

Physical non-current assets are valued in accordance with the 'Valuation of Physical Non-Current Assets at Fair Value' Policy and Guidelines Paper (TPP 05-03). This policy adopts fair value in accordance with AASB 116 *Property, Plant and Equipment*.

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

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

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

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

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

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

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

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

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

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

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

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

(i) Impairment of Property, Plant and Equipment

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

(ii) Plant and Equipment and Intangible Assets

Asset	Valuation Policy	Depreciation/Amortisation Policy
Plant, Equipment and Vehicles <i>(Minimum capital value \$5,000. From 1 January 2006 – \$10,000)</i>	Written down historic cost	Depreciated on the straight line method over the estimated useful life of between 5 and 20 years
Computer Hardware and Intangible Assets <i>(Minimum capital value of \$1,000 and \$5,000 respectively. From 1 January 2006 – \$10,000)</i>	Written down historic cost	Depreciated/amortised on the straight line method over the estimated useful life of between 3 and 10 years
Electronic Office Equipment <i>(Minimum capital value \$5,000 From 1 January 2006 – \$10,000)</i>	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 and amortisation purposes have been determined with due regard to a number of factors including the expected retention period by the entity and the underlying physical, technical and commercial nature of the assets as defined in AAS4 *Depreciation*. In accordance with this standard the shortest alternative useful life is applied. Approximately \$72.246 million 25.6% (2004–05; \$64.399 million 21.6%) of the RTA's assets in the categories of plant, equipment, vehicles, computer hardware 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 the year.

(iii) Land and Buildings

Asset	Valuation Policy	Depreciation Policy
Land and Buildings in Service Works Administration Properties Officers Residences	Land and buildings in service are generally valued at value in use (land) and written down replacement cost (buildings). Where such properties are rented externally they are valued at current market value. Land and Buildings in Service were revalued in the current year and are due to be revalued in 2007–08.	Buildings – Depreciated on the straight line basis over the estimated useful life of 40 years.
Land and Buildings Acquired for Future Roadworks Rentable or Surplus Properties Vacant land	Current Market Value In 2004–05, average Rateable Value Per Hectare of Urban and Rural Areas within each Local Government Area (LGA). In 2005–06 the average Rateable Value Per Hectare was weighted by Local Government Area with no distinction made between urban and rural areas as it was determined to be impractical to quantify the difference. 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. From 1 January 2006 – \$10,000)	Written down historic cost/revalued amount.	Amortised over the period of the lease, or the useful life of the improvement to the RTA, whichever is shorter.

Included in the value of land and buildings in service is an amount of \$12.831 million (2004–05; \$12.831 million) for buildings on Crown land. As the RTA effectively 'controls' this Crown land, it has been included in the RTA's Balance Sheet. Should such Crown land be transferred or disposed of, associated buildings are written off in the year the transfer or disposal takes place.

The RTA's land and buildings are valued by registered valuers. Land and Buildings Acquired for Future Roadworks comprise Untenanted Land for Roads which is revalued annually and Rental Properties and Surplus Properties which are revalued progressively within a three year timeframe. The selection of assets within Land and Buildings Acquired for Future Roadworks to be revalued in each reporting period within the current progressive revaluation is made by reference to the asset's acquisition date or previous revaluation date, to ensure each asset is revalued in the three year progressive revaluation timeframe. To accord with the disclosure requirements of AASB 116 *Property Plant and Equipment* regarding progressive revaluations, the aggregate carrying amount of Land and Buildings Acquired for Future Roadworks comprises:

Commencement date of the current progressive revaluation: 1 July 2005

Completion date of the current progressive revaluation: 30 June 2008

Category of Land and Building Acquired for Future Roadworks	Aggregate carrying amount \$000
Carried at cost of acquisition less, where applicable, any accumulated depreciation.	–
Carried at revalued amounts determined prior to the beginning of the current progressive revaluation less, where applicable, any accumulated depreciation.	–
Revalued as part of the current progressive revaluation and carried at fair value as at 30 June 2006 less, where applicable, any subsequent accumulated depreciation.	1,049,878
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.	1,599,895
Land and Building Acquired for Future Roadworks at 30 June 2006 (see note 11(a)).	2,649,773

(iv) 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 historic cost	Depreciated over estimated useful life of
Traffic Systems		5-20 years
Transport Management Centre		5-20 years
Variable Message Signs		30 years
Land under roads and within road reserves	In 2004–05, average rateable value per hectare of urban and rural areas within each LGA. In 2005–06 the average Rateable Value Per Hectare was weighted by Local Government Area with no distinction made between urban and rural areas as it was determined to be impractical to quantify the difference.	No depreciation applied as land does not have a limited useful life

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

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

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

The determination of unit replacement rates for road, bridge and traffic control signal infrastructure valuations is carried out at least every five years by suitably qualified engineering contractors and employees of the RTA. 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 (RCI) is applied each year until the following unit replacement review is undertaken. Subsequent to the review, infrastructure is valued using the unit replacement rates, adjusted by the Road Cost Index as applicable, except for Traffic Control Network.

In respect of land under roads and within road reserves, for 2005–06 valuations the average Rateable Value Per Hectare was weighted by Local Government Area with no distinction made between urban and rural areas, as it was determined to be impractical to quantify the difference. The change in methodology was due to a reassessment of the

definitions of urban and rural roads which had been used in prior year financial statements.

In 2004–05 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 per cent when compared with 2003–04. 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 AASB 116 *Property, Plant and Equipment* outlines factors to be considered in assessing the useful life of an asset for depreciation purposes. These factors include wear and tear from physical use and technological and commercial obsolescence.

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

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

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

(v) *Intangible Assets*

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

All research costs are expensed. Development costs are only capitalised when certain criteria are met.

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

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

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

(vi) Private Sector Provided Infrastructure

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

In respect of the M2, M4, M5 Motorways, the Eastern Distributor, the Cross City Tunnel and the Westlink M7 Motorway (the 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 using an annuity approach. Under this approach, the ultimate value of the right to receive the property is treated as the compound value of an annuity that accumulates as a series of equal annual receipts together with an amount representing notional compound interest. The discount rate used is the 10-year NSW government bond rate applicable at the commencement of the concession period (refer note 1(z)).

(vii) Cultural Collection Assets

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

(viii) Leased Assets

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

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

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

(m) Major Inspection Costs

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

(n) Restoration Costs

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

(o) Maintenance and Repairs

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

(p) Financial Assets

(i) Cash and Cash Equivalents

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

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

(ii) Receivables

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

(iii) Other Financial Assets

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

(q) Provision of Material Assets

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

(r) Inventories

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

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

(s) Capitalisation of Expenditure

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

(t) Non-current Assets held for sale

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

(u) Other Assets

Other assets including prepayments are recognised on a cost basis.

(v) Payables

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

(w) Borrowings

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

(x) Budgeted amounts

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

The budgeted amounts in the Operating Statement and Cash Flow Statement are generally based on the amounts disclosed in the NSW Budget Papers (as adjusted above). However in the Balance Sheet the amounts vary from the Budget Papers, as the opening balances of the budgeted amounts are based on carried forward actual amounts: ie per the audited financial statements (rather than carried forward estimates).

(y) Comparative Information

Comparative figures have been restated based on AEIFRS with the exception of financial instruments information, which has been prepared under the previous AGAAP Standard (AAS33) as permitted by AASB 136. The transition to AEIFRS for financial instruments information was 1 July 2005. The impact of adopting AASB 132/139 is further discussed in Note 26.

Financial Instruments

The RTA has elected not to restate comparative information for financial instruments within the scope of AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement*, as permitted on the first time adoption of AEIFRS. The accounting

policies applied to accounting for financial instruments in the current financial year are detailed in notes 1(z)(iii). The following accounting policies were applied to accounting for financial instruments in the comparative financial year.

(i) Receivables:

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

(ii) Payables:

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

(iii) Borrowings:

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

(z) Changes in Accounting Policy and Correction of Errors

(i) Private Sector Provided Infrastructure

The RTA has a number of contractual arrangements under which the private sector has responsibility for supplying and operating infrastructure that traditionally would have been provided by the RTA. The RTA refers to these arrangements as Private Sector Provided Infrastructure projects or PSPI's. Under the various PSPI's the RTA has arranged for the private sector to provide the infrastructure and associated services for an agreed period known as the concession period. At the end of concession period ownership of the asset is returned to the RTA. This right to receive the infrastructure at the end of the concession period is recognised as revenue and an asset whose value emerges during the concession period. The accumulated value of the right at the end of the concession period equates to the written down replacement cost of the infrastructure at that time.

Previously, the emerging value has been accounted for during the concession period with reference to the estimated written down value of the project indexed by the NSW Road Cost Index and allocated proportionally by comparing the time expired since the commencement date of the project to the total concession period. NSW Treasury Guideline and Policy Paper 06-08 'Accounting for Privately Financed Projects' requires the accounting method to be changed to an annuity approach to more accurately reflect the long life of these projects and the diminishing value of money over this time.

Under an annuity approach, the ultimate value of the right to receive the infrastructure asset is now treated as the compound value of an annuity that accumulates as a series of equal annual receipts together with a calculated notional compound interest. The discount rate used has been the NSW 10-year government bond at the commencement of the concession period.

This change in accounting policy affects the following PSPI projects:

- M2
- M4
- M5
- M7 Western Sydney Orbital
- Eastern Distributor
- Cross City Tunnel

The value of the Sydney Harbour Tunnel (SHT) has not been affected by this change in accounting policy. It has previously been determined that as the RTA ensures the revenue stream to the operator of the SHT it has essentially assumed the risks of ownership of the asset. Consequently the RTA has recognised the full value of the SHT as an asset with a corresponding liability in the balance sheet. The movement in the indexed SHT asset value is taken to the asset revaluation reserve.

(ii) Amortisation of Deferred Revenue on PSPI Projects

With respect to the M7, Cross City Tunnel and the Lane Cove Tunnel, the RTA has received reimbursements of certain development costs in the form of up-front cash payments. Previously, these payments were treated as revenue upon receipt. NSW Treasury Guideline and Policy Paper 06-08 'Accounting for Privately Financed Projects' now requires these payments to be accounted for as deferred revenue with an annual amortisation amount recognised as revenue over the life of the concession period. (Refer to Note 12(b) for specific amounts).

(iii) Financial Instruments

Due to the first time adoption of AASB 139 *Financial Instruments: Recognition and Measurement*, the following financial instruments were revalued as 1 July 2005. (Refer to Note 3(d) for specific amounts)

- Sydney Harbour Tunnel Loan
- M2 and M5 Promissory Notes

(iv) *Prior Period Errors*

An error in accounting for the land under some PSPI projects has resulted in an adjustment to the prior year financial statements. Certain sections of road previously valued as roads in their own right are now accounted for as part of PSPI assets. These sections of road have now been written down to nil with a consequent decrease in road valuation and asset revaluation reserve of \$993 million (refer to note 11(c) for specific residual values). The write down in the value of the emerging interests in PSPI projects and decreases in PSPI revenue as a result of accounting policy changes have also been accounted for in 2005. (Refer to note 12 (b) for specific restated values).

2 EXPENSES EXCLUDING LOSSES

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

(a) Employee Related Expenses

Employee related expenses comprise the following specific items:

	Consolidated		Parent	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Salaries and Wages (including recreation leave)	472,696	451,226	336,710	451,226
Long Service Leave	37,305	37,697	26,573	37,697
Superannuation – defined benefit plan	(141,756)	55,307	(100,975)	55,307
Workers Compensation Insurance	11,787	7,815	8,396	7,815
Payroll Tax and Fringe Benefits Tax	32,105	30,542	22,869	30,542
Personnel services	–	–	121,067	–
Other	8,701	2,289	6,198	2,289
	420,838	584,876	420,838	584,876
Allocation of Employee Related Expenses to Programs				
– Capitalised to Infrastructure	153,482	183,321	153,482	183,321
– Operating Programs (including maintenance)	267,356	401,555	267,356	401,555
	420,838	584,876	420,838	584,876

(b) Other Operating Expenses

	Consolidated		Parent	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Registry Customer Services*	129,450	105,942	129,450	105,942
Driver and Vehicle Management*	51,405	55,402	51,405	55,402
Road Safety*	58,919	81,077	58,919	81,077
Traffic and Transport*	75,428	97,873	75,428	97,873
Ensured Revenue Stream Payments	37,061	30,988	37,061	30,988
M4/M5 Cashback Scheme	81,800	78,317	81,800	78,317
Other	80,858	63,228	80,858	63,228
	514,921	512,827	514,921	512,827

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

(i) Auditor's Remuneration

During 2005–06 an expense of \$0.556 million (2004–05 \$0.526 million), excluding GST, was incurred for the audit of the financial statements by the Audit Office of NSW.

(ii) Cost of sales

During 2005–06 the cost incurred in relation to the sales of goods was \$20.680 million (2004–05 \$19.677 million).

(iii) Bad and Doubtful debts

The bad and doubtful debts expense for 2005–06 was credited with \$0.913 million (2004–05; an expense of \$1.979 million).

(iv) Operating lease rental expense

	Consolidated		Parent	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Property	24,418	22,954	24,418	22,954
IT Equipment	41,208	45,749	41,208	45,749
Light Motor Vehicles	27,206	28,005	27,206	28,005
Heavy Motor Vehicles	745	519	745	519
	93,577	97,227	93,577	97,227

(v) 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 \$143.304 million of such works (2004–05 \$87.400 million).

The RTA expended \$42.339 million in 2005–06 (2004–05; \$16.877 million) on natural disaster restoration works from State funds. The total cost of natural disaster restoration work in 2005–06 was \$42.339 million (2004–05; \$19.961 million), which was included as part of maintenance expenditure.

	Consolidated		Parent	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Maintenance expense included on operating statement	571,557	592,369	571,557	592,369
Maintenance related employee expenses included in Note 2(a)	161,791	182,757	161,791	182,757
Total maintenance expenses included in Note 2(a) and 2(b)	733,348	775,126	733,348	775,126

(c) Depreciation and Amortisation

	Consolidated		Parent	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Depreciation Raised against Operational and Property Assets (excludes depreciation capitalised as Infrastructure)	22,957	14,527	22,957	14,527
Depreciation raised against Infrastructure	662,479	689,652	662,479	689,652
Amortisation of Intangible Assets	4,789	–	4,789	–
	690,225	704,179	690,225	704,179

In addition, operational assets and intangible assets were written down by \$5.931 million in 2005–06 (2004–05: \$3.593 million).

(d) Grants and Subsidies

	Consolidated		Parent	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Capital Grants – to Councils for Regional Roads	7,304	24,796	7,304	24,796
Grants Under Road Safety Program	10,091	10,360	10,091	10,360
Other	847	828	847	828
	18,242	35,984	18,242	35,984

(e) Finance Costs

	Consolidated		Parent	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Interest	55,959	58,908	55,959	58,908
Debt Guarantee	3,000	3,000	3,000	3,000
Amortisation of discount on borrowings with T-Corp	4,623	4,946	4,623	4,946
	63,582	66,854	63,582	66,854

3 REVENUE

(a) Sale of Goods and Services

	Consolidated		Parent	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
<i>Sale of Goods</i>				
– Number Plates	57,795	54,254	57,795	54,254
<i>Rendering of Services</i>				
– Third Party Insurance Data Access Charges	12,533	11,730	12,533	11,730
– Toll Revenue (Sydney Harbour Bridge) adjusted	76,746	74,786	76,746	74,786
– Heavy Vehicle Permit Fees	1,049	928	1,049	928
– Sanction Fees Payable under the <i>Fines Act</i>	7,303	8,306	7,303	8,306
– Rental Income	19,472	20,647	19,472	20,647
– Minor Sales of Goods and Services	99,411	78,886	99,411	78,886
	274,309	249,537	274,309	249,537

(b) Investment income

	Consolidated		Parent	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Interest	2,508	8,123	2,508	8,123

(c) Grants and Contributions

	Consolidated		Parent	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
NSW Government Agencies				
– Department of Transport	23,205	23,962	23,205	23,962
– Other	12,821	4,130	12,821	4,130
Local Government	6,068	4,660	6,068	4,660
Other Government Agencies	11,893	10,225	11,893	10,225
Private Firms and Individuals	7,285	7,808	7,285	7,808
	61,272	50,785	61,272	50,785

(d) Other Revenue

	Consolidated		Parent	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Amortisation of Deferred Revenue on PSPI projects (note 1(z))	5,321	–	5,321	–
Value of Emerging Interest of Private Sector Provided Infrastructure				
– M2 (Refer Note 12(b))	3,700	3,437	3,700	3,437
– M4 (Refer Note 12(b))	17,949	16,431	17,949	16,431
– M5 (Refer Note 12(b))	10,120	9,329	10,120	9,329
– Eastern Distributor (Refer Note 12 (b))	3,037	2,830	3,037	2,830
– Cross City Tunnel (Refer Note 12 (b))	8,146	–	8,146	–
– Western Sydney Orbital M7 (Refer Note 12 (b))	11,060	–	11,060	–
– Loan to Sydney Harbour Tunnel Company (i)				
Adjustment to Opening Balance	23,945	–	23,945	–
Other Revenue	(19,163)	23,043	(19,163)	23,043
M2 and Eastern Distributor Promissory Notes (i)				
Adjustment to Opening Balance	(5,045)	–	(5,045)	–
Other Revenue	6,659	446	6,659	446
Diesel Fuel Grant	48	230	48	230
	65,777	55,746	65,777	55,746

(i) Due to the first time adoption of AASB 139 *Financial Instruments: Recognition and Measurement* these financial instruments were revalued as at 1 July 2005 based on the standard. This resulted in an adjustment to accumulated funds as reflected in Note 19. Other revenue recognised relates to the movement in the net present value of the financial instrument during the current year.

4 GAINS/(LOSSES) ON DISPOSAL

(a) Gain/(Loss) on Disposal

	Consolidated		Parent	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Gain on Sale of Property, Plant and Equipment				
– Proceeds from Sale	41,188	59,269	41,188	59,269
– Written Down Value of Assets Sold	(23,927)	(41,912)	(23,927)	(41,912)
Net Gain on Sale of Non-Current Assets	17,261	17,357	17,261	17,357

(b) Other Gains/(Losses)

	Consolidated		Parent	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Future Value Gain on Derivatives	140	–	140	–
Written Down Value of Infrastructure Assets Written Off	(76,884)	(53,506)	(76,884)	(53,506)
Total Other Gains/(Losses)	(76,744)	(53,506)	(76,744)	(53,506)

5 CONDITIONS ON CONTRIBUTIONS

Contributions received during 2005–06 were recognised as revenue during the financial year and were expended in that period with no balance of those funds available at 30 June 2006.

6 APPROPRIATIONS

	Consolidated		Parent	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Recurrent Appropriation				
Total recurrent drawdowns from Treasury (per Summary of Compliance)	1,503,856	1,398,816	1,503,856	1,398,816
Less: Liability to Consolidated Fund (per Summary of Compliance)	(28,050)	–	(28,050)	–
	1,475,806	1,398,816	1,475,806	1,398,816
Capital Appropriation				
Total capital drawdowns from Treasury (per Summary of Compliance)	1,037,323	1,093,685	1,037,323	1,093,685
Less: Liability to Consolidated Fund (per Summary of Compliance)	–	–	–	–
	1,037,323	1,093,685	1,037,323	1,093,685

7 INDIVIDUALLY SIGNIFICANT ITEMS

(a) Superannuation Expense

	Consolidated		Parent	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
(Decrease)/Increase in Superannuation Expense due to Tax, Actuarial and Interest Adjustments	(170,799)	(28,365)	(121,665)	(28,365)

(b) Write-Down of Infrastructure Assets

	Consolidated		Parent	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Infrastructure Assets Written Down	76,884	53,506	76,884	53,506

The following infrastructure assets were deleted during 2005–06 (see note 11(c)).

	Replacement Costs \$000	Accumulated Depreciation \$000	WDRC \$000
Roads	95,767	35,002	60,765
Bridges	25,189	9,644	15,545
Traffic Signals Network	751	178	573
Traffic Control Network	1,423	1,422	1
	123,130	46,246	76,884

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 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 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 AND CASH EQUIVALENTS

	Consolidated		Parent	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
RTA Operating Account	27,062	62,844	27,062	62,844
Trust Funds	33,043	26,296	33,043	26,296
Remitting Account, Cash in Transit and Cash on Hand	29,150	27,235	29,150	27,235
Tcorp—Hour Glass Cash Facility	48,735	1,320	48,735	1,320
On Call Deposits	2,658	66,974	2,658	66,974
Other	327	595	327	595
	140,975	185,264	140,975	185,264

For the purposes of the Cash Flow Statement, cash and cash equivalents include all the above categories of cash and cash equivalents.

Cash and cash equivalent assets recognised in the Balance Sheet are reconciled at the end of the financial year to the Cash Flow Statement as follows:

Cash and cash equivalents (per Balance Sheet)	140,975	185,264	140,975	185,264
Closing cash and cash equivalents (per Cash Flow Statement)	140,975	185,264	140,975	185,264

10 CURRENT ASSETS / NON-CURRENT ASSETS–RECEIVABLES

(a) Current

	Consolidated		Parent	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Sale of Goods and Services (i)	31,149	26,779	31,149	26,779
Goods and Services Tax–Claimable from the Commonwealth	19,422	25,876	19,422	25,876
Other (including cost recoveries relating to motor vehicle accident damage to RTA property and road clearing)	2,048	1,738	2,048	1,738
	52,619	54,393	52,619	54,393
Less: Allowance for impairment	(2,439)	(3,352)	(2,439)	(3,352)
	50,180	51,041	50,180	51,041
Unissued debtors	34,411	33,690	34,411	33,690
Dishonoured credit cards	394	264	394	264
	84,985	84,995	84,985	84,995
Accrued Income				
– Interest	698	591	698	591
– Property Sales	17,417	45,596	17,417	45,596
– Other	2,339	2,074	2,339	2,074
Total Current	105,439	133,256	105,439	133,256

The allowances for impairment primarily 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.

(i) The average credit period on sales of goods is 38 days. No interest is charged on the trade receivables. An allowance has been made for estimated recoverable amounts from the sale of goods, determined by reference to past default experience. The movement in the allowance of \$0.913 million was recognised in the profit or loss for the current financial year.

(b) Other Financial Assets

	Consolidated		Parent	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Non-Current Financial Assets (at amortised cost)				
Loan to Sydney Harbour Tunnel Company	75,160	94,323	75,160	94,323
Promissory Notes	8,641	1,982	8,641	1,982
	83,801	96,305	83,801	96,305

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 2006 and the receivable is valued using the effective interest method (refer Note 1(z)).

The loan is considered to be part of the RTA's interest in the Tunnel and, as at 30 June 2006, has been assessed at \$75.161 million (30 June 2005; \$94.323 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 using the effective interest rate method (refer Note 12(b)).

II NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

Consolidated and Parent	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
As at 1 July 2005				
Gross Carrying Amount	3,397,844	212,388	81,764,488	85,374,720
Accumulated Depreciation	(14,666)	(109,736)	(13,450,479)	(13,574,881)
Net Carrying Amount at Fair Value	3,383,178	102,652	68,314,009	71,799,839
As at 30 June 2006				
Gross Carrying Amount	2,865,751	214,041	81,886,691	84,966,483
Accumulated Depreciation	(20,680)	(113,280)	(14,051,199)	(14,185,159)
Net Carrying Amount at Fair Value	2,845,071	100,761	67,835,492	70,781,324

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

(a) Land and Buildings – Consolidated and Parent

	Works		Land and Buildings Acquired for Future Roadworks	Leasehold Improvements	Total
	Administration Properties and Officers Residences				
	Land \$000	Buildings \$000	\$000	\$000	\$000
<i>Balance 1 July 2005</i>	75,938	130,158	3,175,684	16,064	3,397,844
Additions	14	585	76,040	2,771	79,410
Disposals	–	(1,867)	(20,523)	(1,619)	(24,009)
Reclassifications	(1,710)	(1,635)	1,976	1,369	–
Adjustments/WIP	–	20	–	–	20
Transfer to Infrastructure	–	–	(203,227)	–	(203,227)
Transfers to assets held for sale	(918)	–	–	–	(918)
Revaluation on Transfers	–	–	72,918	–	72,918
Revaluations	1	(3,192)	(453,096)	–	(456,287)
<i>Balance 30 June 2006</i>	73,325	124,069	2,649,772	18,585	2,865,751
Accumulated Depreciation					
<i>Balance 1 July 2005</i>	–	6,651	–	8,015	14,666
Depreciation expense	–	4,265	–	3,707	7,972
Write Back on Disposal	–	(339)	–	(1,619)	(1,958)
<i>Balance 30 June 2006</i>	–	10,577	–	10,103	20,680
Written Down Value					
As at 30 June 2006	73,325	113,492	2,649,772	8,482	2,845,071
As at 1 July 2005	75,938	123,507	3,175,684	8,049	3,383,178

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

(b) Plant and Equipment – Consolidated and Parent

	Plant Equipment and Motor Vehicles \$000	Computer Hardware and Software \$000	Electronic Office Equipment \$000	Total \$000
<i>Balance 1 July 2005</i>	188,946	18,436	5,006	212,388
Additions	16,474	3,422	550	20,446
Disposals	(13,822)	(4,550)	(322)	(18,694)
Transfer to Plant and equipment held for sale	(99)	–	–	(99)
<i>Balance 30 June 2006</i>	191,499	17,308	5,234	214,041
Accumulated Depreciation				
<i>Balance 1 July 2005</i>	99,593	6,291	3,852	109,736
Depreciation expense	10,537	3,728	720	14,985
Write Back on Disposal	(10,288)	(990)	(163)	(11,441)
<i>Balance 30 June 2006</i>	99,842	9,029	4,409	113,280
Written Down Value				
As at 30 June 2006	91,657	8,279	825	100,761
As at 1 July 2005	89,353	12,145	1,154	102,652

(c) Infrastructure Systems

Infrastructure systems are valued as follows

	Consolidated		Parent	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Roads – Written Down Replacement Cost				
Opening Balance – Replacement Cost	36,244,068	36,168,855	36,244,068	36,168,855
Correction of Error (note 1(z)(iv))	–	(1,267,054)	–	(1,267,054)
Restated Opening Balance	36,244,068	34,901,801	36,244,068	34,901,801
Additions at cost	386,713	497,606	386,713	497,606
Deletions	(95,767)	(74,297)	(95,767)	(74,297)
RCl and other adjustments	1,525,315	918,958	1,525,315	918,958
	38,060,329	36,244,068	38,060,329	36,244,068
Less: Accumulated Depreciation				
Opening Balance (note 1(z)(iv))	11,680,585	11,399,831	11,680,585	11,399,831
Correction of Error	–	(273,872)	–	(273,872)
Restated Opening Balance	11,680,585	11,125,959	11,680,585	11,125,959
Write Back on Deletions	(35,002)	(42,496)	(35,002)	(42,496)
Current Year Expense	587,307	597,122	587,307	597,122
Other Adjustments	(15,513)	–	(15,513)	–
	12,217,377	11,680,585	12,217,377	11,680,585
Roads – Written Down Value	25,842,952	24,563,483	25,842,952	24,563,483
Land Under Roads and Within Road Reserves				
Opening Balance	36,289,193	34,354,414	36,289,193	34,354,414
Transfer in from 'Land and Buildings acquired for Future Roadworks'	203,227	195,740	203,227	195,740
Revaluation	(3,074,005)	1,739,039	(3,074,005)	1,739,039
Total Land under Roads and Within Road Reserves	33,418,415	36,289,193	33,418,415	36,289,193

	Consolidated		Parent	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
Bridges – Written Down Replacement Cost				
Opening Balance – Replacement Cost	7,759,881	7,063,284	7,759,881	7,063,284
New Bridges at cost	298,776	336,560	298,776	336,560
RCl and other adjustments	245,654	410,925	245,654	410,925
Deletions	(25,189)	(50,888)	(25,189)	(50,888)
Closing Balance	8,279,122	7,759,881	8,279,122	7,759,881
Less: Accumulated Depreciation				
Opening Balance	1,656,013	1,606,696	1,656,013	1,606,696
Current Year Expense	56,253	79,193	56,253	79,193
Write Back on Deletions	(9,644)	(29,876)	(9,644)	(29,876)
	1,702,622	1,656,013	1,702,622	1,656,013
Bridges – Written Down Value	6,576,500	6,103,868	6,576,500	6,103,868

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.

Traffic Signals Network – Written Down Replacement Cost

Opening Balance – Replacement Cost	282,872	269,319	282,872	269,319
New Traffic Signals at cost	6,600	8,519	6,600	8,519
Deletions	(751)	(443)	(751)	(443)
RCl and other adjustments	26,446	5,477	26,446	5,477
Closing Balance	315,167	282,872	315,167	282,872
Less: Accumulated Depreciation				
Opening Balance	88,268	75,029	88,268	75,029
Current Year Expense	14,521	13,382	14,521	13,382
Write Back on Deletions	(178)	(143)	(178)	(143)
	102,611	88,268	102,611	88,268
Traffic Signals Network – Written Down Value	212,556	194,604	212,556	194,604

	Consolidated		Parent	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
Traffic Control Network – Written Down Historic Cost				
Opening Balance – Replacement Cost	57,476	47,999	57,476	47,999
Additions at unit replacement rates	3,302	10,070	3,302	10,070
Deletions	(1,423)	(593)	(1,423)	(593)
Other adjustments	262	–	262	–
	59,617	57,476	59,617	57,476
Less: Accumulated Depreciation				
Opening Balance	25,613	18,544	25,613	18,544
Current Year Expense	4,398	7,269	4,398	7,269
Write Back on Deletions	(1,422)	(200)	(1,422)	(200)
	28,589	25,613	28,589	25,613
Work-in-Progress	4,067	4,399	4,067	4,399
Traffic Control Network – Written Down Value	35,095	36,262	35,095	36,262
Major Works in Progress				
Opening Balance	1,126,599	961,025	1,126,599	961,025
Additions at cost	1,145,492	933,874	1,145,492	933,874
Transfers out on completion	(522,117)	(768,300)	(522,117)	(768,300)
Major Works in Progress	1,749,974	1,126,599	1,749,974	1,126,599
Total Infrastructure Systems	67,835,492	68,314,009	67,835,492	68,314,009

The network was improved during the year with a number of major projects being opened to traffic. These included the Sea Cliff Bridge on Lawrence Hargrave Drive, the North Kiama Bypass, the railway crossing at Gerogery and a new bridge over the Murray River at Euston.

The depreciation expense in respect of roads \$587.307 million (2004–05: \$597.122 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 2006, no Cultural Collection Assets, including original art works, have been brought to account during the current year (2004–05; \$nil million).

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

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

(a) **Current**

These comprise:

	Consolidated		Parent	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
Prepayments	5,703	6,273	5,703	6,273

(b) Non-current

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

	Consolidated		Parent	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Sydney Harbour Tunnel				
Carrying amount at start of year	605,385	589,174	605,385	589,174
Revaluation	21,803	16,211	21,803	16,211
Less: Calculation adjustment from previous year	–	–	–	–
Carrying amount at end of year	627,188	605,385	627,188	605,385
M2 Motorway				
Carrying amount at start of year	21,526	61,384	21,526	61,384
Decrease – accounting policy change *	–	(43,295)	–	(43,295)
Annual Increment – Emerging Right to Receive	3,700	3,437	3,700	3,437
Carrying amount at end of year	25,226	21,526	25,226	21,526
M4 Motorway				
Carrying amount at start of year	124,652	103,707	124,652	103,707
Increase – accounting policy change *	–	4,514	–	4,514
Annual Increment – Emerging Right to Receive	17,949	16,431	17,949	16,431
Carrying amount at end of year	142,601	124,652	142,601	124,652
M5 Motorway				
Carrying amount at start of year	61,638	101,301	61,638	101,301
Decrease – accounting policy change *	–	(48,992)	–	(48,992)
Annual Increment – Emerging Right to Receive	10,120	9,329	10,120	9,329
Carrying amount at end of year	71,758	61,638	71,758	61,638
Eastern Distributor				
Carrying amount at start of year	14,334	38,912	14,334	38,912
Decrease – accounting policy change *	–	(27,408)	–	(27,408)
Annual Increment – Emerging Right to Receive	3,037	2,830	3,037	2,830
Carrying amount at end of year	17,371	14,334	17,371	14,334
Cross City Tunnel				
Carrying amount at start of year	–	–	–	–
Annual Increment – Emerging Right to Receive	8,146	–	8,146	–
Carrying amount at end of year	8,146	–	8,146	–
Western Sydney Orbital (M7)				
Carrying amount at start of year	–	–	–	–
Annual Increment – Emerging Right to Receive	11,060	–	11,060	–
Carrying amount at end of year	11,060	–	11,060	–
	903,350	827,535	903,350	827,535

* The change in accounting policy (Note 1(z)(i)) with respect to the valuation of the emerging interests in certain PSPI projects has resulted in an aggregate write down of \$115.181 million in 2005 now with an associated reduction in revenue recognised in that year of \$15.070 million.

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 \$683.300 million. The current written down replacement cost of the Tunnel is \$627.186 million (2004–05; \$605.385 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 \$486.700 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 \$222.600 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 2006, tolls collected from the Tunnel amounted to \$44.060 million (2004–05; \$46.009 million). These tolls were applied to the financial obligations of the Tunnel and resulted in a reduction in ERS payments from \$87.455 million to \$43.395 million (2004–05; \$88.786 million to \$42.777 million).

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

The RTA however now revalues the Tunnel each year. Based on movements in the Road Cost Index during the 2005–06 reporting period, the RTA's interest in the Tunnel was \$627.188 million as at 30 June 2006, which equated to an increase in the

value of the Tunnel during 2005–06 of \$21.803 million (2004–05; \$16.211 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 2006 have been made by promissory notes in the value of \$7.071 million and \$1.768 million respectively. The RTA, as at 30 June 2006, has received promissory notes for rent on the above leases totalling \$78.071 million. The term of the Agreement ends on the forty fifth anniversary of the M2 commencement date (ie 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 2006, is \$3.524 million.

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

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

M4 and M5 Motorways

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

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 \$135 million by way of promissory notes (being \$15 million on Financial Close and \$15 million on each anniversary of Financial Close). A further \$2.2 million was received in cash six months after Financial Close and \$8 million in cash on the third anniversary of Financial Close. Under the Agreement, the promissory notes show a payment date (subject to provisions in the Project Deed) of 31 December 2042 and, as at 30 June 2006, the promissory notes have a net present value of \$5.117 million.

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

Cross City Tunnel

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

The construction cost was \$642 million with the cost being

met by the private sector. Under the terms of the agreement, CCM will operate the motorway for a total of 30 years and two months from the opening of the Tunnel to traffic, after which the motorway will be transferred back to the Government.

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

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

Westlink M7 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 and the completed motorway was opened to traffic on 16 December 2005.

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

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

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

Lane Cove Tunnel

An agreement was signed with the Lane Cove Tunnel Company in December 2003 to finance, design, construct, operate and maintain the Lane Cove Tunnel Project. Major construction started on 24 June, 2004 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 one 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 calculated using the effective interest rate method (refer Note 1(f)(v)).

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

(c) Other Intangible Assets – Consolidated and Parent

	Software \$000
<i>Balance 1 July 2005</i>	85,060
Additions	3,950
Disposals	(229)
<i>Balance 30 June 2006</i>	88,781
Accumulated Amortisation	
<i>Balance 1 July 2005</i>	55,879
Amortisation expense	4,789
Write Back on Disposal	(216)
<i>Balance 30 June 2006</i>	60,452
Written Down Value	
As at 30 June 2006	28,329
As at 1 July 2005	29,181

13 NON-CURRENT ASSETS HELD FOR SALE

	Consolidated		Parent	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Assets held for sale				
Land and buildings (i)	37,743	36,825	37,743	36,825
Plant and equipment	539	440	539	440
	38,282	37,265	38,282	37,265

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

14 CURRENT LIABILITIES – PAYABLES

	Consolidated		Parent	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Trade creditors ⁽ⁱ⁾	127,083	104,878	127,083	104,878
Creditors arising from compulsory acquisitions	35,159	46,640	35,159	46,640
Personnel Services	–	–	4,562	–
Accrued expenses				
– Salaries, Wages and Oncosts	4,562	2,963	–	2,963
– Works contract expenditure	149,360	141,665	149,360	141,665
– Work carried out by councils	43,449	48,201	43,449	48,201
– Interest	12,452	12,385	12,452	12,385
– Other (including non works contracts)	91,463	89,212	91,463	89,212
Other	1,788	716	1,788	716
	465,316	446,660	465,316	446,660

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

15 CURRENT/NON-CURRENT LIABILITIES – BORROWINGS

	Consolidated		Parent	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
At Amortised Cost				
Current				
T-Corp Borrowings	145,590	160,338	145,590	160,338
Treasury advances repayable	362	49	362	49
Other	21	199	21	199
	145,973	160,586	145,973	160,586
Non-Current				
T-Corp Borrowings	675,098	658,941	675,098	658,941
Treasury advances repayable	9,276	1,451	9,276	1,451
Other	1,436	1,408	1,436	1,408
	685,810	661,800	685,810	661,800

Repayment of Borrowings are due as follows:

	Consolidated		Parent	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
T-Corp				
Within 1 year	145,590	160,338	145,590	160,338
Between 1 and 2 years	191,431	191,945	191,431	191,945
Between 2 and 5 years	161,642	162,246	161,642	162,246
After 5 years	322,025	304,750	322,025	304,750
	820,688	819,279	820,688	819,279

The weighted average interest rate on NSW Treasury Corporation (T-Corp) loan portfolio as at 30 June 2006 is 6.55% (30 June 2005; 6.68%).

	Consolidated		Parent	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Other Loan Borrowings				
Repayable within 1 year	21	199	21	199
Between a and 5 years	719	179	719	179
After 5 years	717	1,229	717	1,229
	1,457	1,607	1,457	1,607

	Consolidated		Parent	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
Treasury Advances				
Repayable within 1 year	362	49	362	49
Between 1 and 5 years	3,960	610	3,960	610
After 5 years	5,316	841	5,316	841
	9,638	1,500	9,638	1,500

Come and Go Facility

The Come and Go Facility valued at \$100 million has current approval to 30 June 2007 for cash management purposes. This year the facility was used regularly to fund shortfalls incurring a total interest charge of \$2.500 million (2004–05; \$0.004 million).

	Consolidated		Parent	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
Financing arrangements				
Unrestricted access was available at the balance sheet date to the <i>Come and Go</i> facility				
Total facility	100,000	100,000	100,000	100,000
Used at balance sheet date	–	–	–	–
Unused at balance sheet date	100,000	100,000	100,000	100,000

16 FINANCIAL INSTRUMENTS

(a) Interest Rate Risk

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

(a) Interest Rate Risk

Financial Instrument	Floating Interest Rate		Fixed Interest Rate			
	2006	2005	1 Year or Less		Over 1 to 5 years	
			2006	2005	2006	2005
	\$0	\$0	\$0	\$0	\$0	\$0
Financial Assets						
Cash and Cash Equivalents						
Cash	56,211	75,023	–	–	–	–
Treasury Corp Hourglass	62,409	17,747	–	–	–	–
On-call deposits	22,355	23,439	–	54,000	–	–
Loans and Receivables						
Receivables: Sales						
GST						
Other (cost recoveries)						
Unissued debtors						
Accrued Income Property Sales						
Other Accrued Income						
Loan to Sydney Harbour Tunnel						
Promissory Notes (M2 and ED)						
Total – Financial Assets	140,975	116,209	–	54,000	–	–
Financial Liabilities						
Borrowings:						
Treasury Corp	149,893	–	–	160,337	353,073	354,191
Treasury Advance Repayable	9,638	1,500	–	–	–	–
Other	–	–	–	249	362	2,158
Payables						
Trade payables						
Other current payables						
Accrued expenses						
Other payables						
Statutory creditors						
Principal outstanding on bonds issued to private sector						
Sydney Harbour Tunnel Tax Liability						
Holding Accounts						
Contract Security Deposits						
Derivative held for trading						
Total – Financial Liabilities	159,531	1,500	–	160,586	353,435	356,349

More than 5 Years		Non Interest Bearing		Total Carrying Amount as per Balance Sheet		Weighted Average Effective Interest Rate	
2006	2005	2006	2005	2006	2006	2006	2005
\$0	\$0	\$0	\$0	\$0	\$0		
				–	–		
–	–	–	15,055	56,211	90,078		
–	–	–	–	62,409	17,747	5.70%	5.60%
–	–	–	–	22,355	77,439	5.74%	5.66%
				–	–		
		31,149	26,779	31,149	26,779		
		19,422	25,876	19,422	25,876		
		2,048	1,738	2,048	1,738		
		34,411	33,690	34,411	33,690		
		17,417	45,596	17,417	45,596		
		3,036	2,665	3,036	2,665		
		75,160	94,323	75,160	94,323		
		8,641	1,982	8,641	1,982		
–	–	191,284	247,704	332,259	417,913		
317,722	304,751	–	–	820,688	819,279	6.55%	6.68%
–	–	–	–	9,638	1,500		
1,095	700	–	–	1,457	3,107	6.63%	5.76%
		127,083	104,878	127,083	104,878		
		35,159	46,640	35,159	46,640		
		301,286	294,426	301,286	294,426		
		1,794	716	1,794	716		
		20,387	24,850	20,387	24,850		
		344,674	358,680	344,674	358,680		
		25,896	23,542	25,896	23,542		
		51,253	39,218	51,253	39,218		
		–	1,737	–	1,737		
		–	161	–	161		
318,817	305,451	907,532	894,848	1,739,315	1,718,734		

(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.

	Banks		Governments		Other		Total	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Financial Assets								
Cash	56,211	75,023	–	–		15,055	56,211	90,078
Receivables	–	–	19,422	25,876	88,061	110,468	107,483	136,344
Investments	84,764	94,590	–	–	–	596	84,764	95,186
Total – Financial Assets								
Assets	140,975	169,613	19,422	25,876	88,061	126,119	248,458	321,608

(c) Net Fair Values

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

(d) Liquidity risk management

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

(e) Interest rate swap contracts

The borrowings of the RTA are managed by the NSW Treasury Corporation (Tcorp) in accordance with a Memorandum of Understanding. The interest rate risk relating to these borrowings is also managed by Tcorp and accordingly the RTA enters into interest rate swaps. At 30 June 2006 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 2.14% (2004–05; 2.00%) of the loan principal outstanding. The fixed interest rate is 6.30% (2004–05; 6.30%).

At 30 June 2006, the notional principal amounts, fair value amounts and periods of expiry of the interest rate swap contracts are as follows:

	Notional Principal Amounts				Fair Value			
	Consolidated		Parent		Consolidated		Parent	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Within 1 year	14,500	–	14,500	–	14,500	–	14,500	–
Between 1 and 2 years	–	14,500	–	14,500	–	14,500	–	14,500
	14,500	14,500	14,500	14,500	14,500	14,500	14,500	14,500

17 CURRENT/NON-CURRENT LIABILITIES – PROVISIONS

	Consolidated		Parent	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Employee Benefits and related On-costs				
Current				
Superannuation	20,108	19,464	–	19,464
Annual Leave (i)	43,596	41,836	–	41,836
Long Service Leave (ii)	189,035	183,747	–	183,747
Personnel Services	–	–	252,739	–
	252,739	245,047	252,739	245,047
Non-Current				
Superannuation	197,326	386,224	–	386,224
Workers Compensation (liability under the former Department of Motor Transport self-insured scheme)	542	587	–	587
Personnel Services	–	–	197,868	–
	197,868	386,811	197,868	386,811
Total Provisions	450,607	631,858	450,607	631,858
Aggregate Employee Benefits and related On-costs				
Provisions – current	252,739	245,047	252,739	68,213
Provisions – non-current	197,868	386,811	197,868	563,645
Accrued salaries, wages and on-costs (Note 14)	4,562	2,963	4,562	2,963
	455,169	634,821	455,169	634,821

(i) The value of annual leave expected to be taken within twelve months is \$30.327 million and \$13.269 million after twelve months.

(ii) The value of long service leave expected to be taken within twelve months is \$6.542 million and \$182.493 million after twelve months. The RTA has not disclosed the unconditional long service leave liability separately as the amount was not available as at the date of this report.

Provision for Superannuation – Consolidated

For the first time, superannuation statements include both employer and employee superannuation assets and liabilities as prescribed by AASB 119 *Employee Benefits*.

General description of the plan

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

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

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

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

The following information has been prepared by the scheme actuary.

Reconciliation of the assets and liabilities recognised in the balance sheet

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

	SASS Financial Year to 30 June 2005 A\$000	SANCS Financial Year to 30 June 2005 A\$000	SSS Financial Year to 30 June 2005 A\$000	Total
Present value of defined benefit obligations	453,865	71,750	803,018	1,328,633
Fair value of plan assets	(290,221)	(53,818)	(578,906)	(922,945)
	163,644	17,932	224,112	405,688
Surplus in excess of recovery available from schemes	–	–	–	–
Unrecognised past service cost	–	–	–	–
Net (asset)/liability to be disclosed in balance sheet	163,644	17,932	224,112	405,688

All fund assets are invested by STC at arm's length through independent fund managers.

Movement in net liability/asset recognised in balance sheet

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

	SASS Financial Year to 30 June 2005 A\$000	SANCS Financial Year to 30 June 2005 A\$000	SSS Financial Year to 30 June 2005 A\$000	Total
Net (asset)/liability at start of year	161,881	17,283	194,401	373,565
Net expense recognised in the income statement	38,308	5,736	70,960	115,004
Contributions	(36,545)	(5,087)	(41,249)	(82,881)
Net (asset)/liability to be disclosed in balance sheet	163,644	17,932	224,112	405,688

Total expense recognised in income statement

	SASS Financial Year to 30 June 2006 A\$000	SANCS Financial Year to 30 June 2006 A\$000	SSS Financial Year to 30 June 2006 A\$000	Total
Current service cost	12,813	4,059	7,859	24,731
Interest on obligation	26,334	3,552	43,881	73,767
Expected return on plan assets	(21,524)	(4,020)	(43,912)	(69,456)
Net actuarial losses (gains) recognised in year	(30,392)	(8,258)	(132,149)	(170,799)
Change in surplus in excess of recovery available from scheme	–	–	–	–
Past service cost	–	–	–	–
Losses (gains) on curtailments and settlements	–	–	–	–
Total included in 'employee benefits expense'	(12,769)	(4,667)	(124,321)	(141,757)

	SASS Financial Year to 30 June 2005 A\$000	SANCS Financial Year to 30 June 2005 A\$000	SSS Financial Year to 30 June 2005 A\$000	Total
Current service cost	12,485	3,944	7,699	24,128
Interest on obligation	25,263	3,697	42,087	71,047
Expected return on plan assets	(17,499)	(3,426)	(36,185)	(57,110)
Net actuarial losses (gains) recognised in year	18,060	1,521	57,359	76,940
Change in surplus in excess of recovery available from scheme	–	–	–	–
Past service cost	–	–	–	–
Losses (gains) on curtailments and settlements	–	–	–	–
Total included in “employee benefits expense”	38,309	5,736	70,960	115,005

Actual return on plan assets

	SASS Financial Year to 30 June 2006 A\$000	SANCS Financial Year to 30 June 2006 A\$000	SSS Financial Year to 30 June 2006 A\$000	Total
Actual return on plan assets	44,630	7,827	90,214	142,671

	SASS Financial Year to 30 June 2005 A\$000	SANCS Financial Year to 30 June 2005 A\$000	SSS Financial Year to 30 June 2005 A\$000	Total
Actual return on plan assets	31,072	6,107	64,128	101,307

Valuation method and principal actuarial assumptions at the reporting date

a) **Valuation Method**

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

b) **Economic Assumptions**

	30 June 2006	30 June 2005
Discount rate at 30 June	5.9% pa	–
Expected return on plan assets at 30 June	7.6%	7.0%
Expected salary increases	4.0% pa to 2008; 3.5% pa thereafter	4.0%
Expected rate of CPI increase	2.5% pa	2.5%

Arrangements for employer contributions for funding

The following is a summary of the 30 June 2006 financial position of the Fund calculated in accordance with AAS 25 – *Financial Reporting by Superannuation Plans*.

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

	SASS Financial Year to 30 June 2005 A\$000	SANCS Financial Year to 30 June 2005 A\$000	SSS Financial Year to 30 June 2005 A\$000	Total
Accrued benefits	413,862	63,087	626,225	1,103,174
Net market value of Fund assets	(290,221)	(53,818)	(578,906)	(922,945)
Net (surplus)/deficit	123,641	9,269	47,319	180,229

Recommended contribution rates for the entity are:

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

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

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

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

Weighted-Average Assumptions	30 June 2006	30 June-005
Expected rate of return on Fund assets	7.3% pa	7.0% pa
Expected salary increase rate	4.0% pa	4.0% pa
Expected rate of CPI increase	2.5% pa	2.5% pa

Nature of asset/liability

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

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

18 CURRENT/NON-CURRENT LIABILITIES – OTHER

	Consolidated		Parent	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Current				
Statutory Creditors	20,387	24,850	20,387	24,850
Principal Outstanding on Bonds Issued to Private Sector	14,938	14,006	14,938	14,006
Unearned Rent on M4 and M5 Motorways	3,105	3,105	3,105	3,105
Sydney Harbour Tunnel Tax Liabilities	1,678	1,599	1,678	1,599
Income Received in Advance	11,248	6,566	11,248	6,566
Liability to the Consolidated Fund	28,050	–	28,050	–
Holding Accounts	51,254	39,218	51,254	39,218
Deferred Revenue – Reimbursement on Private Sector Provided Infrastructure	10,242	–	10,242	–
	140,902	89,344	140,902	89,344
Non-current				
Principal Outstanding on Bonds Issued to Private Sector	329,736	344,674	329,736	344,674
Unearned Rent on M4 and M5 Motorways	17,376	20,481	17,376	20,481
Sydney Harbour Tunnel Tax Liabilities	24,218	21,943	24,218	21,943
Deferred Revenue – Reimbursement on Private Sector Provided Infrastructure	354,352	369,915	354,352	369,915
	725,682	757,013	725,682	757,013

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 \$344.674 million (2004–05; \$358.680 million), being the principal outstanding as at 30 June 2006 on the bonds issued by the Sydney Harbour Tunnel Company to the private sector.

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

	Consolidated		Parent	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
Current				
Sydney Harbour Tunnel Past Tax Liability	1,340	1,260	1,340	1,260
Sydney Harbour Tunnel Future Tax Liability	338	339	338	339
	1,678	1,599	1,678	1,599
Non-current				
Sydney Harbour Tunnel Past Tax Liability	15,874	14,206	15,874	14,206
Sydney Harbour Tunnel Future Tax Liability	8,344	7,737	8,344	7,737
	24,218	21,943	24,218	21,943

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:

	Consolidated		Parent	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
Rent earned in prior years	35,620	33,245	35,620	33,245
Rent earned in current year	2,375	2,375	2,375	2,375
Unearned rent as at 30 June 2006	8,620	10,995	8,620	10,995
	46,615	46,615	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 AASB 117, this revenue is brought to account over the period of the lease.

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

	Consolidated		Parent	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
The treatment is summarised as follows:				
Rent earned in prior years	9,408	8,678	9,408	8,678
Rent earned in current year	731	731	731	731
Unearned rent as at 30 June 2006	11,861	12,591	11,861	12,591
	22,000	22,000	22,000	22,000

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

	Consolidated		Parent	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
Amortisation of deferred revenue in prior years				
Amortisation of deferred revenue in current year	5,321	595	5,321	595
Unearned reimbursement as at 30 June 2006	364,594	369,320	364,594	369,320
	369,915	369,915	369,915	369,915

19 CHANGES IN EQUITY

	Consolidated		Parent	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
Reserves				
Accumulated Funds	41,650,892	40,899,923	41,650,892	40,899,923
Asset Revaluation Reserve	27,829,667	29,475,173	27,829,667	29,475,173
	69,480,559	70,375,096	69,480,559	70,375,096

	Consolidated		Parent	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
Balance at beginning of the financial year	40,899,924	40,944,029	40,899,924	40,944,029
Decrease in fair value of the PSPI projects – change in accounting policy	–	(115,181)	–	(115,181)
Correction of Errors				
AEIFRS adjustments (see Note 26)		(500,701)		(500,701)
AASB 139 first-time adoption	(22,298)	–	(22,298)	–
Restated balance at the beginning of the financial year	40,877,625	40,328,147	40,877,625	40,328,147
Surplus/Deficit for Year	731,629	506,775	731,629	506,775
Increment/Decrement on				
- Land and Buildings	–	–	–	–
- Authority Infrastructure	–	–	–	–
Transfers from Asset Revaluation Reserve for asset disposals	41,637	65,002	41,637	65,002
Balance at the end of the financial year	41,650,892	40,899,923	41,650,892	40,899,923

The RTA has changed the valuation model used for reporting Private Sector Provided Infrastructure to comply with NSW Treasury Policy Paper 06-8 Accounting for Privately Financed Projects. The financial impact of this change is that the value of the assets were reduced by \$115.181m to \$190.123 as at 1 July 2004 and the emerging interest revenue was reduced by \$15.070m to \$32.027m in 2004–05 (Note 12(b)).

Asset Revaluation				Total Equity			
Consolidated		Parent		Consolidated		Parent	
2006	2005	2006	2005	2006	2005	2006	2005
\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
29,475,173	27,264,603	29,475,173	27,264,603	70,375,097	68,208,632	70,375,097	68,208,632
						(115,181)	(115,181)
	(993,182)		(993,182)		(993,182)		(993,182)
	(96,330)		(96,330)		(597,031)		(597,031)
–	–	–	–	(22,298)	–	(22,298)	–
29,475,173	26,175,091	29,475,173	26,175,091	70,352,799	66,503,238	71,345,980	66,503,238
–	–	–	–	731,629	506,775	731,629	506,775
(383,370)	274,503	(383,370)	274,503	(383,370)	274,503	(383,370)	274,503
(1,220,499)	3,090,581	(1,220,499)	3,090,581	(1,220,499)	3,090,581	(1,220,499)	3,090,581
(41,637)	(65,002)	(41,637)	(65,002)	–	–	–	–
27,829,667	29,475,173	27,829,667	29,475,173	69,480,559	70,375,097	69,480,559	70,375,096

20 COMMITMENTS FOR EXPENDITURE

(a) Capital Commitments

	Consolidated		Parent	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Payable no later than 1 year				
– Value of work to be completed	898,877	1,142,545	898,877	1,142,545
Payable later than 1, but not later than 5 years				
– Value of work to be completed	242,526	525,964	242,526	525,964
Payable later than 5 years	29,174	34,583	29,174	34,583
	1,170,577	1,703,092	1,170,577	1,703,092

(b) Other Expenditure Commitments

	Consolidated		Parent	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Payable no later than 1 year				
– Value of work to be completed	132,760	322,496	132,760	322,496
Payable later than 1, but not later than 5 years	82,243	82,248	82,243	82,248
Payable later than 5 years	107,774	38,459	107,774	38,459
	322,777	443,203	322,777	443,203

(c) Operating Lease Commitments

Operating Lease Commitments relate to Property, IT Equipment and Light and Heavy Motor Vehicles. Operating lease commitments are not recognised in the financial statements as liabilities. Total Operating Lease Commitments are as follows:

	Consolidated		Parent	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Not later than 1 year	56,136	70,272	56,136	70,272
Later than 1 year and not later than 5 years	58,872	123,514	58,872	123,514
Later than 5 years	14,582	16,304	14,582	16,304
	129,590	210,090	129,590	210,090

In respect of Property Leases, the RTA has various lessors with leases that have specific lease periods ranging from one year to 20 years. The Property Operating Lease Commitments are as follows:

	Consolidated		Parent	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Not later than 1 year	25,042	25,288	25,042	25,288
Later than 1 year and not later than 5 years	38,414	41,335	38,414	41,335
Later than 5 years	14,582	16,304	14,582	16,304
	78,038	82,927	78,038	82,927

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

The IT Operating Lease Commitments are as follows:

	Consolidated		Parent	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Not later than 1 year	8,341	12,567	8,341	12,567
Later than 1 year and not later than 5 years	4,382	11,676	4,382	11,676
Later than 5 years	–	–	–	–
	12,723	24,243	12,723	24,243

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:

	Consolidated		Parent	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Not later than 1 year	18,394	29,392	18,394	29,392
Later than 1 year and not later than 5 years	5,963	63,681	5,963	63,681
Later than 5 years	–	–	–	–
	24,357	93,073	24,357	93,073

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

The Heavy Motor Vehicle Operating Lease Commitments are as follows:

	Consolidated		Parent	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Not later than 1 year	4,359	3,025	4,359	3,025
Later than 1 year and not later than 5 years	10,113	6,822	10,113	6,822
Later than 5 years	–	–	–	–
	14,472	9,847	14,472	9,847

21 CONTINGENT ASSETS

The total commitments detailed above include GST input tax credits of \$147.540 million (2004–05; \$214.217 million) that are expected to be recoverable from the ATO.

22 CONTINGENT LIABILITIES

There are two claims (2004–05; three claims) for damage or injury currently being litigated with an estimated total contingent liability to the RTA of \$1.12 million (2004–05; \$1.38 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 five significant contractual disputes (2004–05: 8 disputes) with an estimated total contingent liability of \$42.925 million (2004–05: \$38.211 million).

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

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

23 NATIVE TITLE

The Commonwealth's legislation (*Native Title Act*) and the New South Wales statute (*Native Title (New South Wales) Amendment Act*) have financial implications for NSW 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 2006 there were no Native Title claims, which had been initiated against the RTA.

24 BUDGET REVIEW

(a) Net Cost of Services

The actual net cost of services of \$1,781.500 million was \$142.405 million less than budget. The variance was primarily due to general increases in retained revenue together with primarily decreases in depreciation and employee related expenses.

(b) Assets and Liabilities

Net Assets have increased by \$660.725 million as compared to budget. This is principally due to an increase in the value of the RTA's general infrastructure.

The value of land and buildings held decreased by \$408.341 million as compared to budget. Current assets decreased by \$67.359 million. A decrease in cash and cash equivalents of \$93.460 million was partially offset by the reclassification of some assets held for sale as current.

The change in net assets is also impacted by a decrease in total liabilities of \$100.867 million compared to the budget. This is principally due to decreases in provisions of \$226 million partly offset by an increase in borrowings of \$80 million.

(c) Cash Flows

Net cash flow from operating activities is \$63 million more than the budget. This was mainly due to an increase in receipts of \$90 million.

Net cash outflow in relation to investing activities is \$169 million more than the budget due to primarily purchases of land and buildings, plant and equipment and infrastructure systems being \$195 million more than the budget. This was offset by asset sales being \$9 million more than budget together with advance payments received of \$19 million.

A variance of \$65 million in respect of the opening cash as compared to the budget has occurred due to the fact that the 2005–06 budget was prepared prior to the finalisation of 2004–05 financial statements.

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

	Consolidated		Parent	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Net Cost of Services	(1,781,500)	(1,985,726)	(1,781,500)	(1,985,726)
Depreciation and amortisation	690,225	698,785	690,225	698,785
(Decrease)/Increase in Provisions and Entitlements	(190,228)	(92,704)	(190,228)	(92,704)
Rent Revenue in respect of M4 and M5 Motorways	(3,105)	(3,181)	(3,105)	(3,181)
Amortisation of deferred revenue	(5,321)	–	(5,321)	–
Sydney Harbour Tunnel Loan	(4,782)	–	(4,782)	–
Promissory Notes	(1,615)	–	(1,615)	–
Value of Emerging Interest of Private Sector Provided Infrastructure	(54,012)	(32,038)	(54,012)	(32,038)
ERS payments utilised to redeem current principal portion of bonds issued to Private Sector	(14,938)	(14,295)	(14,938)	(14,295)
Increase/(Decrease) in Payables and Other Liabilities	56,000	(2,476)	56,000	(2,476)
(Increase) in Receivables and Other Assets	28,387	(4,419)	28,387	(4,419)
Gain on Sale of Assets	(17,261)	38,851	(17,261)	38,851
Other (gains)/losses	76,744	53,506	76,744	53,506
Increase in inventory	(206)	(336)	(206)	(336)
Sydney Harbour Tunnel Tax Liabilities	2,354	–	2,354	–
Recurrent and Capital Appropriation	2,513,129	2,492,501	2,513,129	2,492,501
Net Cash used on Operating Activities	1,293,871	1,148,478	1,293,871	1,148,478

Reconciliation of cash flows from the net cost of services as reported in the Operating Statement to the net cash used on Operating Activities.

26 THE FINANCIAL IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (AEIFRS)

The RTA has applied the AEIFRS for the first time in the 2005–06 financial report. The key areas where changes in accounting policies have impacted are disclosed below. Some of these impacts arise because AEIFRS requirements are different from previous AASB requirements (AGAAP). Other impacts arise from options in AEIFRS that were not available or not applied under previous AGAAP. The RTA has adopted the options mandated by NSW Treasury for all NSW public sector agencies. The impacts disclosed below reflect Treasury's mandates and policy decisions.

The impacts of adopting AEIFRS on total equity and surplus as reported under previous AGAAP are shown below. There are no material impacts on the RTA's cash flows.

(a) Reconciliation of Key Aggregates

		30 June 2005 ²			1 July 2004 ¹		
		\$000		\$000	Asset		
	Notes	Accumulated	Revaluation	Total Equity	Accumulated	Revaluation	Total Equity
		Funds	Reserve		Funds	Reserve	
Total equity under AGAAP	19	41,536,838	30,564,685	72,101,523	40,944,029	27,264,603	68,208,632
Derecognition of intangible assets	*	(15,000)	–	(15,000)	(15,000)	–	(15,000)
Defined benefit superannuation adjustment for change in discount rate	**	(121,748)	(96,330)	(218,078)	(113,084)	(96,330)	(209,414)
Write back of PSPI upfront payments previously recognised as revenue	***	(369,915)	–	(369,915)	(369,915)	–	(369,915)
Assets held for sale	****	–	–	–	(2,702)	–	(2,702)
Sub-total		(506,663)	(96,330)	(602,993)	(500,701)	(96,330)	(597,031)
Total equity under AEIFRS	19	41,030,175	30,468,355	71,498,530	40,443,328	27,168,273	67,611,601

1 = adjustments as at the date of transition

2 = adjustments as at the 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	\$000
Surplus under AGAAP	527,807
Defined benefit superannuation	(8,664)
Reversal of assets held for sale - sale costs	2,702
Restatement of emerging interest on PSPI projects	(15,070)
Surplus under AEIFRS	506,775

Based on the above, if AEIFRS were applied in 2004–05, Net Cost of Services would increase from \$1,965 million to \$1,971 million.

* AASB 138 *Intangible Assets* requires all research costs to be expensed and restricts the capitalisation of development costs. Previous AGAAP permitted some research and development costs to be capitalised when certain criteria were met. As a result, some currently recognised intangible assets have been derecognised.

** 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.

*** NSW Treasury has mandated the adoption of TPP 06-08 policy 'Accounting for Privately Funded Infrastructure' the principles of which have been endorsed by the Heads of Treasury Advisory and Reporting Committee. TPP 06-08 requires that upfront payments received in respect of a Private Sector Provided Infrastructure (PSPI) project should be recognised over the concession period.

**** 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 their fair value less costs to sell.

**(b) Financial Instruments – 1 July 2005
first time adoption impacts**

As discussed in Note 1(c), the comparative information for the 2004–05 for financial instruments has not been restated and is presented in accordance with previous AGAAP (refer Note 1(c)). AASB 132 and AASB 139 have been applied from 1 July 2005.

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

As a not-for-profit entity, the RTA has applied 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 previous AASB 1004. However, the new AASB 1004 may be amended by proposals in Exposure Draft (ED) 125 *Financial Reporting by Local Governments* and ED 147 *Revenue from Non-Exchange Transactions (Including Taxes and Transfers)*. If the ED 125 and ED 147 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 and ED 147 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.

End of Audited Financial Statements



GPO BOX 12
SYDNEY NSW 2001

INDEPENDENT AUDIT REPORT

ROADS AND TRAFFIC AUTHORITY DIVISION OF THE GOVERNMENT SERVICE 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 Division of the Government Service of New South Wales (the Division)

- presents fairly the Division's financial position as at 30 June 2006 and its performance for the period 17 March 2006 to 30 June 2006, in accordance with Accounting Standards and other mandatory financial reporting requirements in Australia, and
- complies with section 41B of the *Public Finance and Audit Act 1983* (the Act) and the *Public Finance and Audit Regulation 2005*.

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

Scope

The Financial Report and Chief Executive of the Roads and Traffic Authority Division of the Government Service of New South Wales's Responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement and accompanying notes to the financial statements for the Division, for the period ended 30 June 2006.

The Chief Executive of the Roads and Traffic Authority Division of the Government Service of New South Wales is responsible for the preparation and true and fair presentation of the financial report in accordance with the Act. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

I conducted an independent audit in order 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 Standards and statutory requirements, and I:

- assessed the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Chief Executive of the Roads and Traffic Authority Division of the Government Service of New South Wales in preparing the financial report, and
- examined a sample of evidence that supports the amounts and disclosures in the financial report.

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.



A T Whitfield, FCA
Acting Auditor-General

SYDNEY
21 September 2006

ROADS AND TRAFFIC AUTHORITY DIVISION OF THE
GOVERNMENT SERVICE OF NSW

YEAR ENDED 30 JUNE 2006

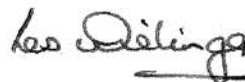
Pursuant to Section 41C(1B) and (1C) of the Public Finance and Audit Act 1983, we declare that in our opinion:

1. The accompanying financial statements exhibit a true and fair view of the Division's financial position as at 30 June 2006 and transactions for the year then ended
2. The statements have been prepared in accordance with the provisions of the Public Finance and Audit Act 1983, the Public Finance and Audit Regulation 2005 and the Treasurer's Directions.

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



Brett Skinner
Director, Finance
20 September 2006



Les Wielinga
Chief Executive
20 September 2006

INCOME STATEMENT
FOR THE PERIOD 17TH MARCH TO 30TH JUNE 2006

	17 March 2006 to 30 June 2006
	\$000
Income	
Personnel Services	121,067
Total Income	121,067
Expenses	
Salaries and Wages (including recreation leave)	135,986
Long Service Leave	10,732
Superannuation – defined benefit plan	(40,781)
Workers Compensation Insurance	3,391
Payroll Tax and Fringe Benefits Tax	9,236
Other	2,503
Total expenses	121,067
Operating Result	–

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD 17TH MARCH TO 30TH JUNE 2006

	17 March 2006 to 30 June 2006
	\$000
Total Income and Expenses recognised directly in equity	–
Operating Result	–
Total Income and expense recognised for the year	–

BALANCE SHEET
AS AT 30TH JUNE 2006

	30 June 2006	
	Notes	\$000
Assets		
Receivables	2	455,169
Total Assets		455,169
Liabilities		
Current Liabilities		
Payables	3(a)	4,562
Provisions	3(b)	252,739
Total Current Liabilities		257,301
Non-current Liabilities		
Provisions	3(c)	197,868
Total Non-current Liabilities		197,868
Total Liabilities		455,169
Net Assets		–
Equity		
Accumulated Funds		–
Total Equity		–

**CASH FLOW STATEMENT
FOR THE PERIOD 17TH MARCH TO 30TH JUNE 2006**

17 March 2006 to 30 June 2006
Note \$000

CASH FLOWS FROM OPERATING ACTIVITIES

Payments

Employee Related —

Total Payments —

Receipts

Sale of Services —

Total Receipts —

**NET CASH FLOWS FROM
OPERATING ACTIVITIES** 4 —

**CASH FLOWS FROM
INVESTING ACTIVITIES** —

**CASH FLOWS FROM
FINANCING ACTIVITIES** —

**NET INCREASE / (DECREASE)
IN CASH** —

Opening Cash and Cash Equivalents —

**CLOSING CASH AND
CASH EQUIVALENTS** —

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS OF THE ROADS AND TRAFFIC AUTHORITY DIVISION OF THE GOVERNMENT SERVICE OF NSW

FOR THE PERIOD 17 MARCH TO 30 JUNE 2006

I SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

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

The Division's objective is to provide personnel services to the Roads and Traffic Authority of NSW (RTA).

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

These financial statements have been authorised for issue by the Audit Committee on 15 September 2006.

(b) Basis of Preparation

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

- Applicable Accounting Standards and (which include Australian equivalents to International Financial Reporting Standards (AIFRS)).
- The requirements of the *Public Finance and Audit Act 1983* and the *Public Finance and Audit Regulation 2005*.
- Specific directions issued by the Treasurer.

This is the first financial report prepared on the basis of Australian equivalents to International Financial Reporting Standards.

Generally, the historical cost basis of accounting has been adopted and the financial statements do not take into account changing money values or account valuations. However certain provisions are measured at fair value. The accrual basis of accounting has been adopted in the preparation of the financial statements, except for cash flow information.

Management's judgements, key assumptions and estimates are

disclosed in the relevant notes to the financial report.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

(c) Comparative information

As this is the Division's first financial report, comparative information for the previous period is not provided.

(d) Income

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

(e) Receivables

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

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

(f) Payables

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

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

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

(g) Employee benefit provisions and expenses

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

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

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

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

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

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

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

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

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

(h) Accounting standards issued but not yet effective

At the reporting date, a number of Accounting Standards adopted by the AASB had been issued but are not yet operative and have not been early adopted by the RTA. The following is a list of these standards:

- AASB 7 – *Financial Instruments: Disclosure* (issued August 2005)
- AASB 119 – *Employee Benefits* (issued December 2004)
- AASB 2004-3 – *Amendments to Australian Accounting Standards* (issued December 2004)
- AASB 2005-1 – *Amendments to Australian Accounting Standards* (issued May 2005)
- AASB 2005-5 – *Amendments to Australian Accounting Standards* (issued June 2005)
- AASB 2005-9 – *Amendments to Australian Accounting Standards* (issued September 2005)
- AASB 2005-10 – *Amendments to Australian Accounting Standards* (issued September 2005)
- AASB 2006-1 – *Amendments to Australian Accounting Standards* (issued January 2006)

The initial application of these standards will have no impact on the financial results of the RTA. The Standards are operative for annual reporting periods beginning on or after 1 January 2006.

2 CURRENT ASSETS – RECEIVABLES

	30 June 2006
	\$000
Inter entity receivable – RTA	455,169

3 CURRENT LIABILITIES/NON-CURRENT LIABILITIES

(a) Payables

	30 June 2006
	\$000
Accrued expenses	4,562

(b) Provisions – current

	30 June 2006
	\$000
Superannuation	20,108
Annual Leave (i)	43,596
Long service leave (ii)	189,035
	252,739

(c) Provisions – non-current

	30 June 2006
	\$000
Superannuation	197,326
Workers Compensation (Liabilities under the former Department of Motor Transport self-insured scheme)	542
	197,868

(i) The value of annual leave expected to be taken within twelve months is \$30.327 million and \$13.269 million after twelve months.

(ii) The value of long service leave expected to be taken within twelve months is \$6.542 million and \$182.493 million after twelve months. The RTA Division has not disclosed the unconditional long service leave liability separately as the amount was not available as at the date of this report.

Provision for Superannuation

For the first time, superannuation statements include both employer and employee superannuation assets and liabilities as prescribed by AASB 119 *Employee Benefits*.

General description of the plan

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

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

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

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

The following information has been prepared by the scheme actuary.

RECONCILIATION OF THE ASSETS AND LIABILITIES RECOGNISED IN THE BALANCE SHEET

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

All Fund assets are invested by STC at arm's length through independent fund managers.

MOVEMENT IN NET LIABILITY/ASSET RECOGNISED IN BALANCE SHEET

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

TOTAL EXPENSE RECOGNISED IN INCOME STATEMENT

	SASS Financial Year to 30 June 2006 A\$000	SANCS Financial Year to 30 June 2006 A\$000	SSS Financial Year to 30 June 2006 A\$000	Total
Current service cost	12,813	4,059	7,859	24,731
Interest on obligation	26,334	3,552	43,881	73,767
Expected return on plan assets	(21,524)	(4,020)	(43,912)	(69,456)
Net actuarial losses (gains) recognised in year	(30,392)	(8,258)	(132,149)	(170,799)
Change in surplus in excess of recovery available from scheme	–	–	–	–
Past service cost	–	–	–	–
Losses (gains) on curtailments and settlements	–	–	–	–
Total included in 'employee benefits expense'	(12,769)	(4,667)	(124,321)	(141,756)

ACTUAL RETURN ON PLAN ASSETS

	SASS Financial Year to 30 June 2006 A\$000	SANCS Financial Year to 30 June 2006 A\$000	SSS Financial Year to 30 June 2006 A\$000	Total
Actual return on plan assets	44,630	7,827	90,214	142,671

VALUATION METHOD AND PRINCIPAL ACTUARIAL ASSUMPTIONS AT THE REPORTING DATE

a) Valuation Method

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

b) Economic Assumptions

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

ARRANGEMENTS FOR EMPLOYER CONTRIBUTIONS FOR FUNDING

The following is a summary of the 30 June 2006 financial position of the Fund calculated in accordance with AAS 25 – Financial Reporting by Superannuation Plans.

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

Recommended contribution rates for the entity are:

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

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

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

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

Weighted-Average Assumptions	2006
Expected rate of return on Fund assets	7.3% pa
Expected salary increase rate	4.0% pa
Expected rate of CPI increase	2.5% pa

NATURE OF ASSET/LIABILITY

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

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

4 RECONCILIATION OF CASH FLOWS FROM OPERATING RESULT TO OPERATING ACTIVITIES

17 March 2006 to 30 June 2006

\$000

Operating Result	–
Increase/(Decrease) In Payables and Other Liabilities	455,168
(Increase)/ Decrease in Receivables and Other Assets	(455,168)
Net Cash used on Operating Activities	–

5 RELATED PARTY TRANSACTION

(a) Relationship between RTA and the Division

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

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

(b) Transactions between RTA and the Division

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

(i) Personnel services provided	\$121.067 million
(ii) Receivable due from the RTA	\$455.168 million

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

END OF AUDITED FINANCIAL STATEMENTS