

year in review

Infrastructure NSW Annual Report 2011–2012

26 October 2012

The Honourable Barry O'Farrell MP
Premier of NSW
Level 40 Governor Macquarie Tower
1 Farrer Place
SYDNEY NSW 2000

Dear Premier

We are pleased to submit the annual report of Infrastructure NSW for the year ended 30 June 2012, for presentation to Parliament.

This report has been prepared in accordance with the Annual Reports (Statutory Bodies) Act 1984, the Public Finance and Audit Act 1983 and the regulations under those Acts.

The financial statements for 2011–2012, which form part of this Annual Report, have been submitted to and certified by the Auditor-General of New South Wales.

Yours sincerely



Paul Broad
Chief Executive Officer

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Chairman and CEO's report

The 2012 financial year marks the first year of operation for Infrastructure NSW since being established as an independent statutory body in July 2011 (*Infrastructure NSW Act 2011*).

At the time we were established, the Premier said Infrastructure NSW was an innovative, ground-breaking new body to sharpen NSW's competitive edge to achieve economic growth through strategic infrastructure investment.

We are pleased to report that Infrastructure NSW made significant progress towards achieving this during our first year.

Our primary task has been to prepare a State Infrastructure Strategy, which assesses the current state of infrastructure in NSW and the needs and strategic priorities for the next 20 years. Our Strategy is independent advice to the NSW Government on the infrastructure projects and reforms that we believe will make the biggest difference to driving productivity and economic growth.

Although the delivery of the Strategy to the Government falls outside of the 2011-12 financial year, it has driven our activity and workload during this reporting period.

In developing this Strategy, our team engaged broadly across government and industry throughout this financial year as part of investigating and analysing options as the basis of our advice to the Government.

The State Infrastructure Strategy 2012-2032: 'First Things First' was delivered to the Premier in September 2012 and released publicly on 3 October 2012. It contains 70 key project and reform recommendations across transport, freight, aviation, energy, water, health, education and social infrastructure.

In addition to the considerable work undertaken to develop the Strategy, Infrastructure NSW has delivered an integrated program of activity to improve infrastructure investment in NSW and value for taxpayers.

This has included developing enhanced project assurance and review processes to independently evaluate major infrastructure projects with a value greater than \$100 million, ensuring these projects are scoped for maximum value, delivered efficiently and managed economically over their life.

We were also tasked with responsibility for independently assessing and making recommendations to the NSW Government for use of the Restart NSW funds to ensure they are allocated to the infrastructure projects where they are needed most.

We have undertaken sectoral scoping studies, including a study to identify the current and future transport challenges for the Port Botany-Sydney Airport Precinct over the next 20 years; reviewed unsolicited infrastructure proposals from the private sector; provided advice to the Premier on funding models; and coordinated the NSW Government's infrastructure funding submissions to the Commonwealth's Infrastructure Australia.

In addition, Infrastructure NSW was given responsibility for managing the delivery of a vibrant world-class major events precinct at Darling Harbour.

The Government and private sector are partnering to deliver Australia's largest and first fully integrated convention, exhibition and entertainment precinct at Darling Harbour.

The new facilities will be unrivalled in Australia, allowing Sydney to tackle the Asia-Pacific market head on, and are expected to deliver more than \$1 billion in economic benefit over five years. The project is also a major urban renewal project in its own right and will revitalise Darling Harbour, which is one of the city's much loved destinations. There is no doubt that the development will change the face of Sydney once it is complete at the end of 2016.

As the NSW Government's first Public Private Partnership, it is an exciting project and has attracted high-calibre private sector interest with the short-listed consortia comprising leading event organisers, property experts, builders and financiers whose bids are now being rigorously evaluated.

While Infrastructure NSW's inaugural year has been productive, our year ahead will be equally as busy, as the SICEEP project reaches an important milestone with the selection of a preferred bidder and subsequent contract negotiation.

We are also focussing on preparing a Five Year Infrastructure Plan to support the Government as it develops plans for infrastructure investment necessary to support a growing population. At the same time, we will continue to work with other government agencies to assist in reviewing the delivery of major projects over \$100 million.

Since the inception of Infrastructure NSW, our work has been greatly assisted by the Infrastructure NSW Board, which has extensive experience and specialist knowledge. The Board's work and comments have been extremely helpful to the Infrastructure NSW team in meeting its challenges throughout the financial year.

This is also an opportunity to thank the small team that comprises Infrastructure NSW for their hard work and commitment over the past 12 months. It is never easy in a 'start up' agency that has been established with the intent of finding new ways of doing things and, by its very nature, challenging some long held assumptions. To this end, it is also important to acknowledge the work of colleagues in other agencies who have contributed their time and expertise in assisting Infrastructure NSW.

We look forward to the coming year and continuing our commitment to provide independent advice to the Government with the aim of driving economic growth so that NSW reaches its potential as a healthy and productive economy.



Nick Greiner
Chairman

Paul Broad
Chief Executive Officer

Infrastructure NSW at a glance

Our role

The role of Infrastructure NSW is to provide independent advice to assist the NSW Government in identifying and prioritising the delivery of critical public infrastructure across NSW for economic and social wellbeing.

Our role also includes ensuring decisions about infrastructure projects are informed by expert professional analysis and advice.

The Act

Infrastructure NSW was established in July 2011 as a statutory body, under the *Infrastructure NSW Act 2011* (The Act).

The Act tasks Infrastructure NSW with 14 functions including:

- Preparation and submission to the Premier of a 20 year State Infrastructure Strategy
- Preparation and submission to the Premier of five year infrastructure plans and other plans as requested by the Premier
- Preparation of sectoral State infrastructure strategy statements
- Review and evaluation of proposed major infrastructure projects by Government agencies or the private sector
- Advice on infrastructure planning and delivery assessment, economic or regulatory impediments and funding models
- Coordination of infrastructure submissions by NSW to the Commonwealth Government
- Responsibility for the delivery of a specific major infrastructure project

Review of 2011-12

Following the establishment of Infrastructure NSW in July 2011, work commenced immediately on a well-defined program of activity. A review of the progress achieved by Infrastructure NSW on a number of these major activities during the 2012 financial year follows.

20 year State Infrastructure Strategy

Infrastructure NSW's principal activity during the 2012 financial year was the preparation of the 20 year State Infrastructure Strategy.

In developing the State Infrastructure Strategy, Infrastructure NSW was required under the Act to assess the current state of infrastructure in NSW and the needs and strategic priorities for infrastructure in NSW for the next 20 years.

The Strategy, titled 'First Things First', is Infrastructure NSW's independent advice to the NSW Government to help guide future infrastructure investment. It covers urban and regional projects and reforms across transport, freight, aviation, energy, water, health, education and social infrastructure.

The Strategy was provided to the Premier in September 2012, and released publicly on 3 October 2012, for the consideration of the NSW Government.

In developing the Strategy, Infrastructure NSW consulted with government agencies, private sector proponents and other significant stakeholders including Infrastructure Australia. A systematic approach was undertaken to identify and prioritise potential projects and programs that add to the economic and social well-being of the whole NSW community, following the logical framework of problem analysis, option assessment and prioritisation. Options were investigated and advice obtained from a number of industry experts.

The State Infrastructure Strategy recommends 70 projects and reforms that should take priority over the next five, 10 and 20 years to drive productivity and economic growth. Infrastructure NSW is confident that if effectively implemented, these priorities will add \$50 billion to the State's economy and create an extra 100,000 jobs, while the cost will be a total of \$30 billion over 20 years.

Key recommendations include:

- Identifying the \$10 billion 'WestConnex' motorway as the highest priority project to be completed in the first 10 years. The 33km scheme includes an extension of the M4 to Sydney Airport and duplication of the M5 East to transform Sydney's traffic congestion and support more efficient freight movements.
- Investing more than \$7.5 billion in passenger rail over the next 20 years (in addition to North West Rail Link) to drive more services through the CBD for commuters and faster journeys on intercity trains to Wollongong, Gosford and Newcastle.
- Building an underground Bus Rapid Transit system to revolutionise the Sydney CBD to take most peak buses off congested streets, delivering better travel times for passengers. The \$2 billion project, which would be built in years 5-10, would also involve providing bus/rail underground interchanges at redeveloped Wynyard and Town Hall stations. This will also enable part of George St to become pedestrian-only.
- Investing \$9 billion in priority projects for regional NSW including fixing rail and road bottlenecks and upgrading bridges so producers can get goods to market more efficiently. Other projects include new dams, better town water and road bypasses in mining communities.
- A \$500 million flood mitigation plan to reduce the potential risks to people and property in the Hawkesbury Nepean Valley, which is one of the most heavily developed and at risk floodplains in Australia.

Port Botany – Sydney Airport Precinct

One of Infrastructure NSW's functions, as defined in the Act, is the preparation of sectoral State infrastructure strategy statements for the NSW Government.

In August 2011, Infrastructure NSW was tasked by the NSW Government to develop an infrastructure strategy statement for the Port Botany-Sydney Airport Precinct. Infrastructure NSW delivered the strategy to the NSW Government in December 2011.

The Port Botany-Sydney Airport Precinct is one of Australia's most important international gateways encompassing the country's largest international airport and second largest container port. Generating some \$10.5 billion in economic activity and handling more than \$60 billion of freight each year, these gateways are essential to both the NSW and national economies. The precinct also plays a key role in connecting regions to the north, south and west of Sydney.

Over the next 20 years, container freight, air travel and general traffic in and around the precinct is expected to grow significantly, putting more pressure on already congested roads and other infrastructure.

The aim of the strategy is to enable the NSW Government to evaluate the most effective options to address the challenges ahead for the precinct, lay the foundations for sustainable economic growth, and prioritise infrastructure investments. The strategy looked at:

- Improving public transport;
- Alleviating congestion on the road network through demand management;
- Investing in addressing key traffic bottlenecks; and
- Improving the reliability and efficiency of rail freight.

This work formed a core element of the State Infrastructure Strategy and underpins subsequent recommendations regarding the WestConnex motorways scheme plus a program to alleviate landside pinch points in the precinct.

Major Projects Assurance Framework

A key task for Infrastructure NSW during the year was the development of an enhanced project assurance and review process, the Major Projects Assurance Framework. This Framework is used to independently review and evaluate major infrastructure projects with a capital investment value of more than \$100 million, with the aim of helping the Government ensure infrastructure projects are:

- The highest priority and scoped for maximum value for money;
- Delivered in a timely and efficient way; and
- Managed and maintained efficiently over their life.

The Major Projects Assurance Framework is broken into two key areas:

- **Gateway reviews** – a series of structured reviews that examine projects at critical decision points in the project lifecycle. The reviews provide independent advice about the robustness of the project and identify any issues that may need to be addressed; and
- **Monitoring and reporting** – a process to ensure that due consideration has been given to the imperatives of cost control and value engineering; management of contingency budgets to minimise scope creep; and use of high level output specifications as a means of encouraging innovative private sector solutions to the desired outcomes. The aim is to improve management of risk and enable timelier decision-making for corrective actions where required.

In line with the Framework, Infrastructure NSW was tasked during the year with monitoring and reporting on 55 major projects. These include:

- Sydney International Convention, Exhibition and Entertainment Precinct

- Northern Beaches Hospital
- Wagga Wagga Hospital Redevelopment
- Hornsby Hospital
- Blacktown and Mount Druitt Hospital
- North West Rail Link
- South West Rail Link
- Light Rail project
- Pacific Highway upgrade program
- Hunter Expressway
- Princes Highway upgrade program

Infrastructure NSW has worked collaboratively with agencies to assist with monthly monitoring and reporting of projects.

Restart NSW

In June 2011, the NSW Government established Restart NSW, a fund to finance a range of high priority future infrastructure projects in NSW. Infrastructure NSW was tasked by the NSW Government to take responsibility for independently assessing and making recommendations to the NSW Government for use of the Restart NSW funds to ensure they are allocated where they are needed most.

The objective of Restart NSW is to improve the economic growth and productivity of the State by funding essential infrastructure, including public transport; roads; infrastructure that may improve the competitiveness of the State; local infrastructure in regional areas that are affected by mining operations; health facilities and workplaces for frontline government staff.

It is intended 30% of Restart NSW will be dedicated to infrastructure in regional areas and mining-affected communities.

During the 2012 financial year, Infrastructure NSW independently assessed a number of applications for Restart NSW funding and made recommendations to the NSW Government.

These included:

- A project by Hunter New England Local Health District for funding to upgrade the Muswellbrook Hospital Emergency Department;
- A project by Singleton Council for funding to replace the Herbert Street Bridge at Broke; upgrade the intersection of Bridgeman Road and the New England Highway; and extend Pioneer Road at Hunterview.

In addition, the NSW Government has approved the allocation of \$30 million funding from Restart NSW for planning Sydney's next motorway(s) as part of Infrastructure NSW's 20 year State Infrastructure Strategy. As such, Infrastructure NSW has recommended this allocation is used to fund the delivery of the WestConnex motorway scheme, the highest priority infrastructure project identified in the State Infrastructure Strategy.

Better Value Infrastructure Plan

At the August 2011 Council of Australian Governments meeting, the NSW Premier committed to develop a Better Value Infrastructure Plan with the objective of assisting governments in Australia drive better value in infrastructure development and delivery.

Infrastructure NSW was asked to oversee the development of this plan.

In April 2012, Infrastructure NSW delivered to the Premier a technical paper outlining the Better Value Infrastructure Plan. This paper was endorsed by the Council of Australian Governments in April 2012.

The Plan aims to improve the way infrastructure is designed and delivered in Australia by:

- Creating more visibility for industry of the infrastructure investment pipeline;
- Working closely with industry to achieve more innovative and commercial solutions in infrastructure design and delivery;
- Promoting skills development in the management of projects through secondments between government and industry;
- Sharing of best practice between industry and jurisdictions through a rotating national infrastructure forum; and
- Removing duplication between levels of government to reduce the regulatory burden of environmental planning and assessment processes.

Sydney International Convention, Exhibition and Entertainment Precinct

In September 2011, the NSW Premier tasked Infrastructure NSW with responsibility for the procurement and delivery of the redevelopment of the Sydney International Convention, Exhibition and Entertainment Precinct (SICEEP) on behalf of the Government. This responsibility was provided under Sections 30 and 32 of the *Infrastructure NSW Act 2011*.

Background

The NSW Government and the private sector are partnering to deliver Australia's largest convention, exhibition and entertainment facilities in a renewed Darling Harbour.

The existing facilities at Darling Harbour have served Sydney well since the 1980s and have been the backbone of the growth in the major events industry. However, the new facilities will provide modern, international best practice buildings to keep Sydney's place as a top convention, exhibition and entertainment destination. Sydney needs to respond to the substantial improvement in the standard of equivalent facilities in Australia and Asia-Pacific if the city is to realise its full potential in the convention and exhibition markets.

A world class events precinct is a key part of 'making NSW number one again' and reinforcing Sydney's status as Australia's global city. Events contribute substantial direct and indirect economic benefits to Sydney. A vibrant precinct will also contribute to a 'living city' to be enjoyed by residents and visitors alike.

At the same time, the project provides an unparalleled opportunity to revitalise the 20 hectare precinct that runs north-south from Haymarket through to Cockle Bay, and east-west from the CBD to Ultimo. The precinct is the main link between key elements of the city, such as Chinatown, the University of Technology Sydney (UTS) and Ultimo TAFE, as well as residential areas in Pyrmont and Ultimo.

The project will be the catalyst for major urban renewal at Sydney's iconic Darling Harbour and the development of a new residential, hotel and commercial area for the city, creating significant value for the taxpayer. It is an opportunity to improve public pathways, better connect Darling Harbour with its surrounds and revitalise the precinct with dining, shopping and commercial opportunities.

While Darling Harbour will remain an active and vibrant area, the existing convention, exhibition and entertainment centres will be closed from December 2013 to December 2016 when the new facilities will open. This followed strong representations from industry which called for the shortest possible construction period.

Progress

Since taking responsibility for the project, Infrastructure NSW has made significant progress.

Recognising the complexity, importance and size of this project, an Integrated Project Team was formed and led by Infrastructure NSW.

Expressions of Interest to design, plan, build and operate the event facilities were received in 2011, and consortia were shortlisted in November 2011. In April 2012, Infrastructure NSW issued Requests for Proposals to consortia. Proposals were submitted in August 2012.

Infrastructure NSW is conducting a rigorous evaluation process of bids and expects to be in a position to recommend the successful proponent to the NSW Government in December 2012. The new and expanded facilities are expected to be complete by late 2016.

Infrastructure NSW has also developed a Sydney-wide solution, which will include an interim facility – Glebe Island Expo – to ensure NSW's events industry stays number one during construction of the new facilities.

Further information is available at www.siceep.com

Governance

Management and structure

Infrastructure NSW's governance model as established by the *Infrastructure NSW Act 2011* comprises a Board and Chief Executive Officer.

The Board

The Board provides general policies and strategic direction for Infrastructure NSW as well as advice to the Premier and CEO of Infrastructure NSW on infrastructure matters. It comprises an independent Chairman and five members with relevant infrastructure sector experience, all appointed by the Premier, and the heads of the Departments of Premier and Cabinet; Trade and Investment, Regional Infrastructure and Services; Planning and Infrastructure; and the Secretary of the Treasury.

Nick Greiner AC BEcon (Hons), MBA (Harvard), FAICD
Chairman

Appointed 15 July 2011 for a period of four years. Mr Greiner is the former Premier and Treasurer of NSW from 1988 – 1992. In addition to Chairman of Infrastructure NSW, he is Chairman of Bradken, The Nuance Group, QBE Insurance Group Australia and Deputy Chairman of CHAMP Private Equity. He is Senior Advisor to Rothschild globally and Chairman, Council of Advisors, Rothschild Australia Limited. Mr Greiner is also a member of the Federal Government's Review of GST Distribution Committee and a member of a range of notable private sector committees. He is a Life Fellow of the Australian Institute of Company Directors and an Honorary Fellow of CPA Australia.

Paul Broad BCom (Hons), MCom (Econ)
Chief Executive Officer

Appointed 1 July 2011. Before being appointed CEO of Infrastructure NSW, Mr Broad was CEO of telecommunications company AAPT from May 2007 to June 2011. He was also Managing Director of PowerTel from November 2004 until it was combined with AAPT. Paul has led some of Australia's largest energy and water companies such as EnergyAustralia, Sydney Water and Hunter Water. He is Chairman of the Hunter Development Corporation and a non-executive director of iiNet Limited and KUTh Energy Limited.

Roger Fletcher
Private Sector Member

Appointed 15 July 2011 for a period of four years. Mr Fletcher is Managing Director of Fletcher International Exports, a company that exports meat and lamb to more than 95 countries worldwide. He is also Chairman of the National Export Lamb, Sheep and Goat Industries Council, Director of the Australian Meat Industry Council and an active member of Australian Wool Innovation.

David Gonski AC B Com, LLB (UNSW), FAICD, FCPA
Private Sector Member

Appointed 15 July 2011 for a period of four years. Mr Gonski is Chairman of Investec Bank (Australia) Limited (the Australian subsidiary of Investec Bank PLC), the Guardians of the Future Fund, Coca-Cola Amatil Limited and Ingeus Ltd. David is also Chancellor of the University of New South Wales, Chairman of the National E Health Transition Authority Ltd, the UNSW Foundation Ltd, Swiss Re Life & Health Australia Ltd and the Sydney Theatre Company. He was previously a member of the Takeovers Panel, President of the Art Gallery of New South Wales, Director of ANZ Bank Ltd, Singapore Airlines Limited and the Westfield Group, Chairman of ASX Ltd, the Australian Council for the Arts and the Board of Trustees of Sydney Grammar School.

Carolyn Kay BA (Melb), LLB (Melb), GDM (AGSM), FAICD
Private Sector Member

Appointed 15 July 2011 for a period of four years. Ms Kay is a Director of Allens, Brambles, Commonwealth Bank of Australia and The Sydney Institute. Carolyn has worked in London, New York and Australia both as a lawyer and a banker for organisations including Morgan Stanley, JP Morgan and Linklaters & Paines. Ms Kay was awarded a Centenary Medal for service to Australia in business leadership. She is a Fellow of the Australian Institute of Company Directors and a Member of Chief Executive Women.

Max Moore-Wilton AC BEC
Private Sector Member

Appointed 15 July 2011 for a period of four years. Mr Moore-Wilton was appointed Chairman of Macquarie Airports in April 2006 and Chairman of Macquarie Media Group in March 2007. He is also Chairman of Sydney Airport Corporation Limited and Past President of the Airport Council International (ACI) World Governing Board. In December 2002, Mr Moore-Wilton was appointed Executive Chairman and Chief Executive of the privatised Sydney Airport Corporation. Prior to his appointment at Sydney Airport, he was Secretary to the Department of Prime Minister and Cabinet where he oversaw fundamental reform of the Commonwealth Public Service. He was appointed a Companion in the General Division of the Order of Australia in the Australia Day Honours List 2001.

Rod Pearse OAM BCom (Hons)
Private Sector Member

Appointed 15 July 2011 for a period of four years. Mr Pearse is a Director of O'Connell Street Associates; the SMART Infrastructure Facility Advisory Council, University of Wollongong; the Australia School of Business Advisory Council; the Juvenile Diabetes Research Foundation Advisory Board; and is Chairman of Outward Bound Australia. Mr Pearse was CEO of Boral Limited (2000 to 2009); a Board Member of the Business Council of Australia (2003/2009)/ Chairman of the BCA's Sustainable Growth Task Force; and was a member of the COAG Reform Council Expert Advisory Panel on Cities (2010/2012). He was awarded an OAM for Services to Youth in 2009.

Chris Eccles BA, LLB

Director General, Department of Premier and Cabinet

Appointed 1 July 2011 by virtue of his position within the NSW public service and consistent with the *Infrastructure NSW Act 2011*. In April 2011 Mr Eccles was appointed Director General of NSW Department of Premier and Cabinet (DPC). He was the Chief Executive of the South Australian Department of Premier and Cabinet (February 2009 to March 2011) before joining NSW DPC. In 2007 Mr Eccles was appointed Deputy Secretary, Sector Improvement Group and later Deputy Secretary, National Reform and Climate Change Group for the Victorian Department of Premier and Cabinet. He has also worked in a variety of government and private sector senior management positions.

Sam Haddad FVIPA, MAICD

Director General, Director of Planning and Infrastructure

Appointed 1 July 2011 by virtue of his position within the NSW public service and consistent with the *Infrastructure NSW Act 2011*. Mr Haddad has been Director General of Planning and Infrastructure since 2005. He has previously held several senior and executive positions with the NSW Department of Planning and its predecessors. Mr Haddad has extensive experience in administering and leading the State's planning system. He has led and implemented significant policy, legislative, organisational and operational reforms. He has also worked in the private sector in project management and infrastructure development.

Philip Gaetjens BA(Hons), GradDip ProfAcc Secretary, NSW Treasury

Appointed 15 August 2011 by virtue of his position within the NSW public service and consistent with the *Infrastructure NSW Act 2011*. Mr Gaetjens is Secretary to the NSW Treasury and Chairman of NSW Treasury Corporation. He was previously Secretary of the GST Distribution Review in the Australian Treasury. He also established and headed the APEC Policy Support Unit (PSU) which provides analytical and research capability in support of APEC's work on economic, trade and investment issues. Between March 1997 and December 2007 he was Chief of Staff in the Office of the Australian Treasurer, the Hon Peter Costello MP. He has also held senior positions in the South Australian Department of Treasury and Finance and the Department of the Prime Minister and Cabinet.

Note: Prior to Mr Gaetjens' appointment, the Acting Treasury Secretary, Michael Lambert, attended the inaugural Board meeting of Infrastructure NSW.

Mark Paterson AO BBus, FAICD, FAIM, FRMIA Director General, Department of Trade and Investment, Regional Infrastructure and Services

Appointed 1 July 2011 by virtue of his position within the NSW public service and consistent with the *Infrastructure NSW Act 2011*. Mr Paterson is Director General of the NSW Department of Trade and Investment, Regional Infrastructure and Services. Previously Mr Paterson held roles as Secretary and Chief Executive of the Commonwealth Department of Innovation, Industry, Science and Research; Secretary of the former Department of Industry, Tourism and Resources and Chief Executive of the Australian Chamber of Commerce and Industry. Mark has held a wide range of Directorships and was appointed an Officer of the Order of Australia in 2007.

Board meetings held 2011-2012

There were 10 meetings held during the 2011-12 reporting period.

Board Member	Representation	Meetings attended
Nick Greiner AC	Chairman	9
Paul Broad	Chief Executive Officer	10
Roger Fletcher	Private Sector	10
David Gonski AC	Private Sector	8
Carolyn Kay	Private Sector	8
Max Moore-Wilton AC	Private Sector	10
Rod Pearse OAM	Private Sector	9
Chris Eccles	Director General of the Department of Premier and Cabinet	8*
Sam Haddad	Director General of the Department of Planning and Infrastructure	7*
Philip Gaetjens	Secretary of the Treasury	5**
Mark Paterson AO	Director General of the Department of Trade and Investment, Regional Infrastructure and Services	10

Notes

* A delegate represented heads of agencies at Board meetings when they were unable to attend.

^ Michael Lambert as Acting Secretary of the Treasury attended the first Infrastructure NSW Board meeting prior to Philip Gaetjens' appointment.

Organisation chart



Our senior management team

Infrastructure NSW has a small team of talented and experienced staff who are working to deliver the functions of the organisation.

Paul Broad BCom (Hons), MCom (Econ)
Chief Executive Officer and Coordinator General

Amanda Jones BSocSc, GAICD
Chief Operating Officer

Jennifer Davis BFAAdmin, CPA, GAICD
Executive Director, Strategic Planning

Erin Flaherty BA, B Juris, LL.M, GradDip ACG, MAICD, ACSA, ACIS
Executive Director, Urban Renewal and Legal

Sandy Olsen GradCertPR
Executive Director, Corporate Affairs

Ross Parker BEng (Civ), MBA
Executive Director, Performance Management

Tim Parker BSC (Hons) (Enviro Eng), MBA
Project Director, Sydney International Convention, Exhibition and Entertainment Precinct

Oliver Steele MA, PGD (Econ)
Executive Director, Economics and Planning

Christopher Swann BA (Hons) History, Chartered Accountant
Executive Director, Investment & Reform

David Thorp BEng (Hons), PhD (Eng)
Executive Director, Transport Economics

For senior executive performance statements and executive remuneration, see page 49.

Internal audit and risk management

Internal Audit and Risk Management Statement for the 2012 Financial Year for Infrastructure NSW.

I, Paul Broad, am of the opinion that Infrastructure NSW has internal audit and risk management processes in operation that are, excluding the exceptions described below, compliant with the core requirements set out in Treasury Circular NSW TC 09/08 Internal Audit and Risk Management Policy.

I, Paul Broad, am of the opinion that the internal audit and risk management processes for Infrastructure NSW, depart from the following core requirements set out in Treasury Circular NSW TC 09/08 and that (a) the circumstances giving rise to these departures have been determined by the Portfolio Minister and (b) Infrastructure NSW is implementing the following practicable alternative measures that will achieve a level of assurance equivalent to the requirement:

Ministerially determined departure	Reason for departure and description of practicable alternative measures implemented
<ul style="list-style-type: none"> Core Requirements 2, 3 and 4 which relate to the establishment, membership and maintenance of an Audit and Risk Committee (ARC) including its Charter 	<ul style="list-style-type: none"> In its inaugural year of operation, Infrastructure NSW did not establish a separate Audit and Risk Committee. As an alternative measure, all Internal Audit matters were reported to the Infrastructure NSW Board, which comprises an Independent Chair with five independent members. An externally led risk assessment workshop confirmed Infrastructure NSW's view that this alternative measure was appropriate given the low risk profile of the organisation in its initial phase. Infrastructure NSW will be exploring options with the Department of Premier and Cabinet's Governance staff on how to ensure Infrastructure NSW's arrangements for audit and risk management comply with TTP 09-05's core requirements for the 2012/13 and future reporting periods.

These processes, including the practicable alternative measures being implemented, provide a level of assurance that will enable the senior management of Infrastructure NSW to understand, manage and satisfactorily control risk exposures.

The Office of Infrastructure NSW.

Paul Broad
Chief Executive Officer
26 October 2012

Infrastructure NSW Financial Statements



INDEPENDENT AUDITOR'S REPORT

Infrastructure NSW

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of Infrastructure NSW (the entity), which comprise the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows, for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

Opinion

In my opinion, the financial statements:

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

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

The Chief Executive Officer's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

My opinion does *not* provide assurance:

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

Independence

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

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



Steven Martin
Director, Financial Audit Services

2 October 2012
SYDNEY

**STATEMENT BY THE CHIEF EXECUTIVE OFFICER
INFRASTRUCTURE NSW**

Pursuant to section 41C of the *Public Finance and Audit Act 1983*, I state that to the best of my knowledge and belief:

- a) the accompanying Financial Statements exhibit a true and fair view of the financial performance and financial position of Infrastructure NSW as at 30 June 2012, and transactions for the year then ended;
- b) the accompanying financial statements have been prepared in accordance with the provisions of the Public Finance and Audit Act 1983, the Public Finance and Audit Regulation 2010, the Financial Reporting Code for NSW General Government Entities and Treasurer's Directions;
- c) the financial statements and notes have been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and other authoritative pronouncements of the Australian Accounting Standards Board;
- d) there are no circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.



Paul Broad
Chief Executive Officer
Infrastructure NSW

2 October 2012

Statement of comprehensive income

For the year ended 30 June 2012

	Notes	Consolidated		INSW	
		Actual 2012 \$'000	Budget 2012 \$'000	Actual 2012 \$'000	Budget 2012 \$'000
Expenses excluding losses					
Operating Expenses					
Employee related	2(a)	3,275	4,455	–	–
Other operating expenses	2(b)	6,295	9,758	6,295	9,758
Depreciation and amortisation expenses	2(c)	139	–	139	–
Personnel services	2(d)	–	–	3,266	4,455
Other expenses	2(e)	6,772	–	6,772	–
Total expenses excluding losses		16,481	14,213	16,472	14,213
Revenue					
Sale of goods and services	3(a)	6,772	–	6,772	–
Investment income	3(b)	140	–	140	–
Grants and contributions	3(c)	10,900	14,213	10,900	14,213
Acceptance by the Crown Entity of employee benefits and other liabilities	3(d)	9	–	–	–
Other revenue	3	–	–	–	–
Total revenue		17,821	14,213	17,812	14,213
Net result		1,340	–	1,340	–
Other comprehensive income					
Total other comprehensive income for the year		–	–	–	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,340	–	1,340	–

The accompanying notes form part of these financial statements.

Statement of financial position

As at 30 June 2012

	Notes	Consolidated		INSW	
		Actual 2012 \$'000	Budget 2012 \$'000	Actual 2012 \$'000	Budget 2012 \$'000
ASSETS					
Current assets					
Cash and cash equivalents	5	2,606	-	2,606	-
Receivables	6	1,812	-	1,812	-
Total current assets		4,418	-	4,418	-
Non-current assets					
Plant and equipment	7	728	-	728	-
Intangible assets	8	81	-	81	-
Total non-current assets		809	-	809	-
Total assets		5,227	-	5,227	-
LIABILITIES					
Current liabilities					
Payables	9	3,110	-	3,268	-
Provisions	10	157	-	-	-
Other	11	156	-	156	-
Total current liabilities		3,423	-	3,424	-
Non-current liabilities					
Provisions	10	86	-	85	-
Other	11	378	-	378	-
Total non-current liabilities		464	-	463	-
Total liabilities		3,887	-	3,887	-
Net assets		1,340	-	1,340	-
EQUITY					
Accumulated funds		1,340	-	1,340	-
Total equity		1,340	-	1,340	-

The accompanying notes form part of these financial statements.

Statement of changes in equity

For the year ended 30 June 2012

	Notes	Accumulated Funds \$'000	Total \$'000
Consolidated/INSW			
Balance at 1 July 2011		-	-
Net result for the year		1,340	1,340
Other comprehensive income			
Total other comprehensive income		-	-
Total comprehensive income for the year		1,340	1,340
Balance at 30 June 2012		1,340	1,340

Statement of cash flows

For the year ended 30 June 2012

	Notes	Consolidated		INSW	
		Actual	Budget	Actual	Budget
		2012	2012	2012	2012
		\$'000	\$'000	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Payments					
Employee related		(2,969)	(4,455)	–	–
Other		(10,751)	(9,758)	(13,720)	–
Total payments		(13,720)	(14,213)	(13,720)	–
Receipts					
Sale of goods and services		6,227	–	6,227	–
Interest received		62	–	62	–
Grants and contributions		10,900	14,213	10,900	–
Total receipts		17,189	14,213	17,189	–
NET CASH FLOWS FROM OPERATING ACTIVITIES	15	3,469	–	3,469	–
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of plant and equipment		(863)	–	(863)	–
NET CASH FLOWS FROM INVESTING ACTIVITIES		(863)	–	(863)	–
NET INCREASE/(DECREASE) IN CASH					
Opening cash and cash equivalents		2,606	–	2,606	–
		–	–	–	–
CLOSING CASH AND CASH EQUIVALENTS	5	2,606	–	2,606	–

The accompanying notes form part of these statements.

Notes to the financial statements

For the year ended 30 June 2012

1 Summary of Significant Accounting Policies

a) Reporting entity

Infrastructure New South Wales (hereafter referred to as INSW) was established in July 2011 as a statutory authority under the *Infrastructure NSW Act 2011*. It provides independent advice to help the Government identify and prioritise critical public infrastructure across NSW. INSW is a reporting entity, comprising all the entities under its control, namely INSW Division (Division).

INSW Division was established by the Public Sector Employment and Management (Miscellaneous) Order 2011 under the *Public Sector Employment and Management Act 2002*, to provide personnel services to the Infrastructure NSW from 27 June 2011. The Division has no functions other than employment functions.

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

INSW is a budget dependent Statutory Authority. INSW is a not-for-profit entity (as profit is not its principal objective) and it has no cash generating units. The reporting entity is consolidated as part of the NSW Total State Sector Accounts.

These consolidated financial statements for the year ended 30 June 2012 have been authorised for issue by the Chief Executive Officer on 2nd October 2012.

b) Basis of preparation

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

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations);
- the requirements of the *Public Finance and Audit Act 1983* and Regulation 2010; and
- the Financial Reporting Directions published in the Code for Budget Dependent General Government Sector Entities or issued by the Treasurer.

Plant and equipment are measured at fair value. Other financial statements items are prepared in accordance with the historical cost convention.

Judgements, key assumptions and estimations management has made are disclosed in the relevant notes to the financial statements.

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

c) Statement of compliance

The financial statements and notes comply with Australian Accounting Standards, which include Australian Accounting Interpretations.

d) Insurance

INSW's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self insurance for Government agencies. The expense (premium) is determined by the Fund Manager based on past experience.

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

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

- the amount of GST incurred by INSW as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense; and
- receivables and payables are stated with the amount of GST included.

Cash flows are included in the statement of cash flow on a gross basis. However, the GST components of cash flows arising from investing and financing activities which is recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

f) Income recognition

Income is measured at the fair value of the consideration or contribution received or receivable. Additional comments regarding the accounting policies for the recognition of income are discussed below.

i) Grants revenue

Grants are generally recognised as income when the INSW obtains control over the assets and grants are normally obtained upon the receipt of cash.

ii) Sale of goods

Revenue from the sale of goods is recognised as revenue when INSW transfers the significant risks and rewards of ownership of the assets.

iii) Rendering of services

Revenue is recognised when the service is provided or by reference to the stage of completion (based on labour hours incurred to date).

iv) Investment revenue

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

g) Assets

i) Acquisitions of assets

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

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

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

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

ii) Capitalisation thresholds

Property, plant and equipment and intangible assets costing \$5,000 and above individually (or forming part of a network costing more than \$5,000) are capitalised.

iii) Revaluation of property, plant and equipment

Physical non-current assets are valued in accordance with the 'Valuation of Physical Non-Current Assets at Fair Value' Policy and Guidelines Paper (TPP 07-1). This policy adopts fair value in accordance with AASB 116 *Property, Plant and Equipment* and AASB 140 *Investment Property*.

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.

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.

iv) Impairment of property, plant and equipment

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

v) Depreciation of property, plant and equipment

Depreciation is provided for on a straight-line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to INSW.

All material separately identifiable components of assets are depreciated over their shorter useful lives.

Depreciation Rates	2012 % Rate
Intangible Asset	
Computer software	25
Plant & Equipment	
Office furniture and fittings	14
Computer equipment and hardware	25
General plant and equipment	25
Leasehold improvements	25

vi) 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.

vii) Maintenance

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

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.

Operating lease payments are charged to the statement of comprehensive income in the periods in which they are incurred.

ix) Intangible assets

INSW recognises intangible assets only if it is probable that future economic benefits will flow to INSW 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 finite.

Intangible assets are subsequently measured at fair value only if there is an active market. As there is no active market for NSW's intangible assets, the assets are carried at cost less any accumulated amortisation.

INSW's intangible assets are amortised using the straight line method over a period of four years.

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

h) Liabilities

i) Payables

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

ii) Employee benefits and other provisions

a) Salaries and wages, annual leave, sick leave and on-costs

Liabilities for salaries and wages (including non-monetary benefits), annual leave and paid sick leave that are due to be settled within 12 months after the end of the period in which the employees render the service are recognised and measured in respect of employee's services up to the reporting date at undiscounted amounts based on the amounts expected to be paid when the liabilities are settled.

Long-term annual leave that is not expected to be taken within twelve months is measured at present value in accordance with AASB 119.

Unused non-vesting sick leave 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, workers' compensation insurance premiums 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.

b) Long service leave and superannuation

INSW's liabilities for long service leave and defined benefit superannuation are assumed by the Crown Entity. INSW accounts for the liability as having been extinguished resulting in the amount assumed being shown as part of the non-monetary revenue item described as 'Acceptance by the Crown Entity of employee benefits and other liabilities'.

Long service leave is measured at present value in accordance with AASB 119 *Employee Benefits*. This is based on the application of certain factors (specified in NSWTC 12/06) to employees with five or more years of service, using current rates of pay. These factors were determined based on an actuarial review to approximate present value.

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 (i.e. Basic Benefit and First State Super) is calculated as a percentage of the employees' salary. For other superannuation schemes

(i.e. State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions.

c) Other provisions

Other provisions exist when: INSW 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.

i) Equity and reserves

i) Accumulated funds

The category 'Accumulated Funds' includes current period retained funds.

j) Budgeted amounts

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the reporting period, as adjusted for section 24 of the PFAA where there has been a transfer of functions between departments. Other amendments made to the budget are not reflected in the budgeted amounts.

This reporting period was INSW's first year of operation and as such no budgets were presented in balance sheet items, but however will be included in the future reporting periods.

k) Comparative information

No comparative information is disclosed in the financial statements as this is the first year of operations.

l) New Australian Accounting Standards issued but not effective

The following new Accounting Standards have not been applied and are not effective for 30 June 2012 reporting period. INSW did not early adopt any of these Accounting Standards and Interpretations that are not yet effective:

- AASB 2009-9 and AASB 2010-7 regarding financial instruments
- AASB 2011-10 Consolidated Financial Statements
- AASB 2011-11 Joint Arrangements
- AASB 2011-12 Disclosure of Interests in Other Entities
- AASB 2011-13 and AASB 2011-8 regarding fair value measurement
- AASB 2010-119, AASB 2011-10 and AASB 2011-11 regarding employee benefits
- AASB 2011-127 Separate Financial Statements
- AASB 2011-128 Investments in Associates and Joint Ventures
- AASB 2010-1053 and AASB 2010-2 regarding differential reporting
- AASB 2010-8 regarding deferred tax
- AASB 2010-10 regarding removal of fixed dates for first time adopters

-
- AASB 2011-2 regarding Trans Tasman Convergence – RDR
 - AASB 2011-3 regarding orderly adoption of changes to the ABS GFS Manual
 - AASB 2011-4 removing individual KMP disclosure requirements
 - AASB 2011-6 regarding RDR and relief from consolidation
 - AASB 2011-7 regarding consolidation and joint arrangements

- AASB 2011-9 regarding presentation of items of other comprehensive income
- AASB 2011-12 regarding Interpretation 20
- AASB 2011-13 regarding AASB 1049 and GAAP/GFS harmonisation

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

2 Expenses Excluding Losses

	Consolidated	INSW
	2012	2012
	\$'000	\$'000
a) Employee related expenses		
Salaries and wages (including recreation leave)	3,081	–
Superannuation – defined contribution plans	84	–
Long service leave	21	–
Payroll tax and fringe benefit tax	89	–
	3,275	–
b) Other operating expenses include the following		
Auditor's remuneration – audit of the financial statements	47	47
Internal audit fees	24	24
Consultancies	100	100
Contractors	4,763	4,763
Boards and Committees	103	103
Fees for services rendered	611	611
Insurance – public liability	10	10
Operating lease rental expense – minimum lease payments	388	388
Other expenses	191	191
Maintenance expenses	58	58
	6,295	6,295
*Reconciliation – Total Maintenance		
Maintenance expense – other (non-employee related), as above	58	58
Total maintenance expenses included in Note 2(a) + 2(b)	58	58
c) Depreciation and amortisation expense		
Depreciation		
Plant and Equipment	31	31
Total depreciation	31	31
Amortisation – Leasehold Improvements		
Leasehold improvements	95	95
Intangible	13	13
	139	139
d) Personnel services		
Personnel services	–	3,266
	–	3,266
e) Other expenses		
Sydney International Convention, Exhibition and Entertainment Precinct (SICEEP) expenses	6,772	6,772
	6,772	6,772

The expenses incurred for the SICEEP project are fully recoverable from Sydney Harbour Foreshore Authority. The recovered amount is shown in Note 3(a).

3 Revenue

	Consolidated	INSW
	2012	2012
	\$'000	\$'000
a) Sale of goods and services		
Rendering of services – Sydney International Convention, Exhibition and Entertainment Precinct (SICEEP) recoveries	6,772	6,772
	6,772	6,772
b) Investment revenue		
Interest revenue from financial assets not at fair value through profit or loss	140	140
	140	140
c) Grants and Contributions		
Grants received from budget dependant agencies	10,900	10,900
	10,900	10,900
d) Acceptance by the Crown Entity of employee benefits and other liabilities		
Long Service Leave	9	–
	9	–

4 Service Group of the Entity

a) Service Group 1 – Invest in critical infrastructure

Purpose

The service group covers improving the identification and delivery of critical infrastructure across the State and advises the Government on economic and regulatory impediments to infrastructure delivery and funding approaches.

5 Current Assets – Cash and Cash Equivalents

	Consolidated	INSW
	2012	2012
	\$'000	\$'000
Cash at bank and on hand	2,606	2,606
	2,606	2,606

For the purposes of the statements of cash flows, cash and cash equivalents include cash at bank and cash on hand.

Cash and cash equivalent assets recognised in the statement of financial position are reconciled at the end of the financial year to the statements of cash flows as follows:

Cash and cash equivalents (per statement of financial position)	2,606	2,606
Closing cash and cash equivalents (per statements of cash flows)	2,606	2,606

Refer Note 16 for details regarding credit risk, liquidity risk, and market risk arising from financial instruments.

6 Current Assets – Receivables

	Consolidated	INSW
	2012	2012
	\$'000	\$'000
Interest receivable	78	78
Sydney International Convention, Exhibition and Entertainment Precinct (SICEEP)	1,734	1,734
	1,812	1,812

7 Non-Current Assets – Plant and Equipment

	Leasehold Improvement	Plant and Equipment	Total
	\$'000	\$'000	\$'000
CONSOLIDATED/INSW			
At 30 June 2012 – fair value			
Gross carrying amount	527	327	854
Accumulated depreciation	(95)	(31)	(126)
Net carrying amount	432	296	728

Reconciliation

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:

Year ended 30 June 2012

Additions	527	327	854
Depreciation expense	(95)	(31)	(126)
Net carrying amount at end of year	432	296	728

8 Intangible Assets

	Software (including IT Network design)
	\$'000
CONSOLIDATED/INSW	
At 30 June 2012	
Cost (gross carrying amount)	94
Accumulated amortisation and impairment	(13)
Net carrying amount	81
Year ended 30 June 2012	
Additions	94
Amortisation (recognised in depreciation and amortisation)	(13)
Net carrying amount at end of year	81

9 Current Liabilities – Payables

	Consolidated	INSW
	2012	2012
	\$'000	\$'000
Accrued salaries, wages and on-costs	12	–
Creditors	2,967	2,840
Goods and Services Tax payable	131	131
Personnel services	–	297
	3,110	3,268

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables, are disclosed in Note 16.

10 Current/Non-Current Liabilities – Provisions

	Consolidated	INSW
	2012	2012
	\$'000	\$'000
CURRENT		
Employee benefits and related on-costs		
Recreation leave	146	–
Long service leave	11	–
Total provisions	157	–
NON-CURRENT		
Employee benefits and related on-costs		
Long service leave	1	–
	1	–
Other provisions		
Restoration costs	85	85
	85	85
Total provisions	86	85
Aggregate employee benefits and related on-costs		
Provisions – current	157	–
Provisions – non-current	1	–
Accrued salaries, wages and on-costs (Note 9)	12	–
	170	–

Movements in provisions (other than employee benefits)

Movements in each class of provision during the financial year, other than employee benefits are set out below:

	Restoration Costs
	2012
	\$'000
CONSOLIDATED/INSW	
Carrying amount at the beginning of financial year	–
Additional provisions recognised	85
Carrying amount at end of financial year	85

11 Current/Non-Current Liabilities – Other

	Consolidated	INSW
	2012	2012
	\$'000	\$'000
Current		
Lease incentive	156	156
	156	156
Non-current		
Lease incentive	378	378
	378	378

12 Commitments for Expenditure

	Consolidated	INSW
	2012	2012
	\$'000	\$'000
Operating lease commitments		
Future non-cancellable operating lease rentals not provided for and payable		
Not later than one year	914	–
Later than one year and not later than five years	2,356	–
Total (including GST)	3,270	–

The total commitments above include input tax credits of \$297,273 that are expected to be recoverable from the Australian Taxation Office.

13 Contingent Liabilities and Contingent Assets

INSW is not aware of any contingent liabilities and contingent assets associated with its operations.

14 Budget Review

Net result

The actual net result was higher than the budget by \$1,340K mainly due to underspend in employee related expenses.

Assets and liabilities

Current assets: Total current assets were \$4,418K.

Non-current assets: Plant and equipment and intangible assets were \$809K.

Current and non-current liabilities: Total liabilities were \$3,887K.

Cash flows

Actual cash flows from operating activities were more than the budget by \$3,469K mainly due to the timing of payments to creditors.

15 Reconciliation of Cash Flows from Operating Activities to Net Result

	Consolidated	INSW
	2012	2012
	\$'000	\$'000
Net cash used on operating activities	3,469	3,469
Depreciation and amortisation	(139)	(139)
Decrease/(increase) in provisions	(158)	–
Increase/(decrease) in receivables and prepayments	1,812	1,812
Decrease/(increase) in creditors	(3,110)	(3,268)
Decrease/(increase) in other liabilities	(534)	(534)
Net result	1,340	1,340

16 Financial Instruments

INSW's principal financial instruments are outlined below. These financial instruments arise directly from INSW's operations or are required to finance INSW's operations.

INSW's principal financial instruments are cash deposits held within the NSW Treasury Banking System, short term receivables and payables. These instruments expose INSW primarily to interest rate risk on cash balances held within the NSW Treasury Banking System and credit risk on short term receivables. INSW does not enter into or trade financial instruments for speculative purposes and does not use financial derivatives.

The Chief Executive Officer has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing risk. Compliance with policies is reviewed by the Internal auditors on a continuous basis.

a) Financial instrument categories

	Note	Category	Carrying Amount
			2012 \$'000
CONSOLIDATED			
Financial Assets			
Class:			
Cash and cash equivalents	5	N/A	2,606
Receivables ¹	6	Receivables (at amortised cost)	1,812
Financial Liabilities			
Class:			
Payables ²	9	Financial liabilities measured at amortised cost	2,967
INSW			
Financial Assets			
Class:			
Cash and cash equivalents	5	N/A	2,606
Receivables ¹	6	Loans and receivables (at amortised cost)	1,812
Financial Liabilities			
Class:			
Payables ²	9	Financial liabilities measured at amortised cost	2,840

Notes

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

b) Credit risk

Credit risk arises from the financial assets of INSW, including cash and receivables. No collateral is held by INSW. INSW has not granted any financial guarantees.

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

Cash

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

Receivables – trade debtors

All trade debtors are recognised as amounts receivable at balance date. Collectibility of trade debtors is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectible are written off. An allowance for impairment is raised when there is objective evidence that INSW will not be able to collect all amounts due. This evidence includes past experience, and current and expected changes in economic conditions and debtor credit ratings. No interest is earned on trade debtors. Sales are made on 30 day terms.

INSW is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. There are no debtors which are currently not past due or impaired whose terms have been renegotiated.

The only financial assets that are past due or impaired are 'sales of goods and services' in the 'receivables' category of the statement of financial position.

	Total (Notes 1&2) ¹	Past due but not impaired (Notes 1&2) ¹	Considered impaired (Notes 1&2) ¹
Consolidated 2012			
< 3 months overdue	–	–	–
3 months – 6 months overdue	–	–	–
> 6 months overdue	–	–	–
INSW 2012			
< 3 months overdue	–	–	–
3 months – 6 months overdue	–	–	–
> 6 months overdue	–	–	–

Notes

- Each column in the table reports 'gross receivables'.
- The ageing analysis excludes statutory receivables, as these are not within the scope of AASB 7 and excludes receivables that are not past due and not impaired. Therefore, the 'total' will not reconcile to the receivables total recognised in the financial position.

c) Liquidity risk

Liquidity risk is the risk that INSW will be unable to meet its payment obligations when they fall due. INSW continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets.

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in Treasurer's Direction 219.01. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. Treasurer's Direction 219.01 allows the Minister to award interest for late payment. No interest for late payment was paid during the year 2012.

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

Maturity Analysis and interest rate exposure of financial liabilities

	Nominal Amount \$'000	Interest Rate Exposure			Maturity Dates		
		Fixed Interest Rate	Variable Interest Rate	Non-interest bearing	< 1 yr	1-5 yrs	> 5 yrs
CONSOLIDATED 2012							
Payables							
Accrued salaries, wages and on-costs	12	-	-	-	12	-	-
Creditors	2,967	-	-	-	2,967	-	-
	2,979	-	-	-	2,979	-	-

INSW 2012

Payables

Creditors	2,840	-	-	-	2,840	-	-
	2,840	-	-	-	2,840	-	-

d) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. INSW's exposure to market risk is primarily through interest rates on cash and cash equivalents. INSW has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk. A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates. The basis will be reviewed annually and amended where there is structural change in the level of interest rate volatility. INSW's exposure to interest rate risk is set out below.

i) Interest rate risk

Exposure to interest rate risk arises primarily through INSW's interest bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings, primarily with NSW TCorp. INSW does not account for any fixed rate financial instruments at fair value through profit or loss or as available for sale. Therefore, for these financial instruments, a change in interest rates would not affect profit or loss or equity. A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility. INSW's exposure to interest rate risk is set out below.

	Carrying Amount	Impact of 1% Increase		Impact of 1% Decrease	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
CONSOLIDATED 2012					
Financial Assets					
Cash and cash equivalents	2,606	26	(26)	(26)	26
Receivables	1,812	-	-	-	-
Financial liabilities					
Payables	2,967	-	-	-	-
Total	7,385	26	(26)	(26)	26
INSW 2012					
Financial Assets					
Cash and cash equivalents	2,606	26	(26)	(26)	26
Receivables	1,812	-	-	-	-
Financial liabilities					
Payables	2,840	-	-	-	-
Total	7,258	26	(26)	(26)	26

e) Fair value

Financial instruments are generally recognised at cost. The amortised cost of financial instruments recognised in the statement of financial position approximates the fair value.

17 Events after the Reporting Period

There are no events subsequent to balance date which affect the financial statements.

End of audited financial statements.

Infrastructure NSW Division Financial Statements



INDEPENDENT AUDITOR'S REPORT

Infrastructure NSW Division

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of Infrastructure NSW (the Division), which comprise the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows, for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

Opinion

In my opinion, the financial statements:

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

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

The Chief Executive Officer's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

My opinion does *not* provide assurance:

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

Independence

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

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



Steven Martin
Director, Financial Audit Services

2 October 2012
SYDNEY

**STATEMENT BY THE CHIEF EXECUTIVE OFFICER
On behalf of the INFRASTRUCTURE NSW DIVISION**

Pursuant to section 41C of the *Public Finance and Audit Act 1983*, I state that to the best of my knowledge and belief:

- a) the accompanying Financial Statements exhibit a true and fair view of the financial performance and financial position of Infrastructure NSW as at 30 June 2012, and transactions for the year then ended;
- b) the accompanying financial statements have been prepared in accordance with the provisions of the Public Finance and Audit Act 1983, the Public Finance and Audit Regulation 2010, the Financial Reporting Code for NSW General Government Entities and Treasurer's Directions;
- c) the financial statements and notes have been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and other authoritative pronouncements of the Australian Accounting Standards Board;
- d) there are no circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.



Paul Broad
Chief Executive Officer
Infrastructure NSW

2 October 2012

Statement of comprehensive income

For the year ended 30 June 2012

	Notes	2012 \$'000
Expenses excluding losses		
Employee related expenses	2	3,275
Total expenses excluding losses		3,275
Revenue		
Personnel services	3(a)	3,266
Acceptance by the Crown Entity of employee benefits and other liabilities	3(b)	9
Total revenue		3,275
Net result		-
Other comprehensive income		
Other comprehensive income for the year		-
TOTAL COMPREHENSIVE INCOME		-

The accompanying notes form part of these financial statements.

Statement of financial position

As at 30 June 2012

	Notes	2012 \$'000
ASSETS		
Current assets		
Receivables	4	297
Total current assets		297
Total assets		297
LIABILITIES		
Current liabilities		
Payables	5	139
Provisions	6	157
Total current liabilities		296
Non-current liabilities		
Provisions	6	1
Total liabilities		297
Net assets		-
EQUITY		
Accumulated funds		-
Total equity		-

The accompanying notes form part of these financial statements.

Statement of changes in equity

For the year ended 30 June 2012

	Accumulated Funds \$'000	Total \$'000
Balance at 1 July 2011	-	-
Net result for the year	-	-
Total comprehensive income for the year	-	-
Balance at 30 June 2012	-	-

Statement of cash flows

For the year ended 30 June 2012

	2012 \$'000
Payments	
Employee related	(2,969)
Total payments	<u>(2,969)</u>
Receipts	
Personnel services	2,969
Total receipts	<u>2,969</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>-</u>
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>-</u>
NET INCREASE/(DECREASE) IN CASH	<u>-</u>
Opening cash and cash equivalents	-
CLOSING CASH AND CASH EQUIVALENTS	<u>-</u>

The accompanying notes form part of these financial statements.

Notes to the financial statements

For the year ended 30 June 2012

1 Summary of Significant Accounting Policies

a) Reporting entity

The Infrastructure Special Officers Group (Division) is a Division of the Government Service, established by the Public Sector Employment and Management (Miscellaneous) Order 2011 under 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 Level 15, Macquarie House, 167 Macquarie Street, Sydney 2000.

The Division's objective is to provide personnel services to Infrastructure NSW.

The financial statement was authorised for issue by the Chief Executive Officer the Infrastructure NSW Division on 2nd October 2012.

b) Basis of preparation

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

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations);
- the requirements of the *Public Finance and Audit Act 1983* and Regulation 2010; and
- the Financial Reporting Directions published in the Code for Budget Dependent General Government Sector Entities or issued by the Treasurer.

Judgements, key assumptions and estimations management has made are disclosed in the relevant notes to the financial statements.

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

c) Statement of compliance

The Division's financial statements and notes comply with Australian Accounting Standards, which include Australian Accounting Interpretations.

d) Income recognition

Income is measured at the fair value of the consideration or contribution received or receivable.

e) Assets

i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value, usually based on the transaction cost or

face value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Any changes are recognised in the surplus/(deficit) for the year when impaired, derecognised or through the amortisation process.

Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

f) Liabilities

i) Payables

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

ii) Employee benefits and other provisions

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

Liabilities for salaries and wages (including non-monetary benefits), annual leave and paid sick leave that are due within 12 months after the end of the period in which the employees render the service are recognised and measured in respect of employees' services up to the reporting date at undiscounted amounts based on the amounts based on the amounts expected to be paid when the liabilities are settled.

Long-term annual leave that is not expected to be taken within twelve months is measured at present value in accordance with AASB 119 *Employee Benefits*.

Unused non-vesting sick leave 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, workers' compensation insurance premiums 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.

Long service leave and superannuation

The Division's liabilities for long service leave and superannuation are assumed by the Crown Entity. The agency accounts for the liability as having been extinguished resulting in the amount assumed being shown as part of the non-monetary revenue item described as 'Acceptance by the Crown Entity of employee benefits and other liabilities'. Prior to 2005/06 the Crown Entity also assumed the defined contribution superannuation liability.

Long service leave is measured at present value in accordance with AASB 119 *Employee Benefits*. This is based on the application of certain factors (specified in NSWTC 12/06) to employees with 5 or more years of service, using current rates of pay. These factors were determined based on an actuarial review to approximate present value.

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 (i.e. Basic Benefit and First State Super) is calculated as a percentage of the employees' salary. For other superannuation schemes (i.e. State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions.

g) Comparative information

No comparative information is disclosed in the financial statements as this is the first year of operations.

h) New Australian Accounting Standards issued but not effective

The following new Accounting Standards have not been applied and are not effective for 30 June 2012 reporting period. The Division did not early adopt any of these Accounting Standards and Interpretations that are not yet effective:

- AASB 2009-9 and AASB 2010-7 regarding financial instruments
- AASB 2011-10 Consolidated Financial Statements
- AASB 2011-11 Joint Arrangements
- AASB 2011-12 Disclosure of Interests in Other Entities
- AASB 2011-13 and AASB 2011-8 regarding fair value measurement

- AASB 2010-119 , AASB 2011-10 and AASB 2011-11 regarding employee benefits
- AASB 2011-127 Separate Financial Statements
- AASB 2011-128 Investments in Associates and Joint Ventures
- AASB 2010-1053 and AASB 2010-2 regarding differential reporting
- AASB 2010-8 regarding deferred tax
- AASB 2010-10 regarding removal of fixed dates for first time adopters
- AASB 2011-2 regarding Trans Tasman Convergence – RDR
- AASB 2011-3 regarding orderly adoption of changes to the ABS GFS Manual
- AASB 2011-4 removing individual KMP disclosure requirements
- AASB 2011-6 regarding RDR and relief from consolidation
- AASB 2011-7 regarding consolidation and joint arrangements
- AASB 2011-9 regarding presentation of items of other comprehensive income
- AASB 2011-12 regarding Interpretation 20
- AASB 2011-13 regarding AASB 1049 and GAAP/GFS harmonisation

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

2 Expenses Excluding Losses

	2012 \$'000
Employee related expenses	
Salaries and wages (including recreation leave)	3,081
Superannuation – defined contribution plans	84
Long service leave	21
Payroll tax and fringe benefit tax	89
	<u>3,275</u>

3 Revenue

	2012 \$'000
a) Personnel services	
Personnel services	3,266
	<u>3,266</u>
b) Acceptance by the Crown Entity of employee benefits and other liabilities	
Long service leave	9
	<u>9</u>

4 Current/Non-Current Assets – Receivables

	2012 \$'000
Personnel services	297
	<u>297</u>

5 Current Liabilities – Payable

	2012 \$'000
Accrued salaries, wages and on-costs	12
Creditors	127
	<u>139</u>

6 Current/Non-Current Liabilities – Provisions

	2012 \$'000
CURRENT	
Employee benefits and related on-costs	
Recreation leave	146
Long service leave	11
Total provisions	157
NON-CURRENT	
Employee benefits and related on-costs	
Long service leave	1
Total provisions	1
Aggregate employee benefits and related on-costs	
Provisions – current	157
Provisions – non-current	1
Accrued salaries, wages and on-costs (Note 5)	12
	170

7 Commitments for Expenditure

The Division has no commitments as at 30 June 2012.

8 Contingent Liabilities and Contingent Assets

The Division has no contingent liabilities and contingent assets as at 30 June 2012.

9 Reconciliation of Cash Flows from Operating Activities to Net Cost of Services

	2012 \$'000
Net cash used on operating activities	–
Decrease/(increase) in provisions	(158)
Increase/(decrease) in prepayments and other assets	297
Decrease/(increases) in creditors	(139)
Net result	–

10 Financial Instruments

The Division's principal financial instruments are short term receivables and payables. These instruments expose the Division primarily to credit risk on short term receivables. The Division does not enter into or trade financial instruments for speculative purposes and does not use financial derivatives.

The Chief Executive Officer has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing risk. Compliance with policies is reviewed by the internal auditors on a continuous basis.

a) Financial instrument categories

	Note	Category	Carrying Amount
			2012 \$'000
FINANCIAL ASSETS			
Class: Consolidated			
Receivables	5 ¹	Loans and receivables (at amortised cost)	297
FINANCIAL LIABILITIES			
Class: Consolidated			
Payables	6 ²	Financial liabilities measured at amortised cost	139

Notes

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

b) Credit risk

Credit risk arises from the financial assets of the Division, which are receivables. No collateral is held by the Division. The Division has not granted any financial guarantees.

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

Receivables – trade debtors

All trade debtors are recognised as amounts receivable at balance date. The balance owing represents monies due from the Infrastructure NSW. Sales are made to them on 14 day terms.

No financial assets are past due or impaired.

c) Liquidity risk

Liquidity risk is the risk that the Division will be unable to meet its payment obligations when they fall due. The Division continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets.

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in Treasurer's Direction 219.01. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. Treasurer's Direction 219.01 allows the Minister to award interest for late payment. No interest for late payment was paid during the 2012 financial year.

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

	Nominal Amount \$'000	Interest Rate Exposure			Maturity Dates		
		Fixed Interest Rate	Variable Interest Rate	Non-interest bearing	< 1 yr	1-5 yrs	> 5 yrs
2012							
Payables							
Accrued salaries, wages and on-costs	12	–	–	–	12	–	–
Creditors	127	–	–	–	127	–	–
	139	–	–	–	139	–	–

a) Market risk

The Division has no exposure to foreign currency risk and does not enter into commodity contracts.

b) Fair value

Financial instruments are generally recognised at cost. The amortised cost of financial instruments recognised in the statement of financial position approximates the fair value.

11 Events after the Reporting Period

There are no events subsequent to balance date which affect the financial statements.

End of audited financial statements.

Outline budget for 2012/13

Operating Statement

	2012-13 Budget \$000
Expenses Excluding Losses	
Operating Expenses	
Employee related	4,506
Other operating expenses	13,121
Other expenses	(50)
TOTAL EXPENSES EXCLUDING LOSSES	17,577
Revenue	
Sales of goods and services	7,459
Grants and contributions	10,118
Total Revenue	17,577
Net Result	...

Statutory reporting obligations

Human resources

Infrastructure NSW has a compact, specialised team that brings together the best of the public and private sectors.

The CEO and Coordinator General, Paul Broad, commenced duty with the establishment of Infrastructure NSW on 1 July 2011. In addition to the CEO, nine positions were created and staff appointed during 2011-2012. These positions comprise a Chief Operating Officer, Corporate Affairs Specialist, Accountant, Project Director, Investment Adviser, Performance Management Specialist, Economist, Planner and Executive Assistant. These team members are employed by Infrastructure Special Officers Group (ISOG), a special employment division of the government service.

Members of the ISOG are employees of the state government appointed under Section 4D and Chapter 1A of the *Public Sector Employment and Management Act, 2002*. The CEO has discretion to set salary and conditions and each is engaged at market rates for their occupation and skills set.

A further six individuals with speciality skills are on secondment to the Office of Infrastructure NSW from other government agencies. Those on secondment remain employees of their home departments and their employment is regulated by Chapter 2 of the *Public Sector Employment and Management Act, 2002*.

Infrastructure NSW will remain an organisation of less than 20 staff and will not grow significantly over time.

Infrastructure NSW also employs contracted services for short term engagements as required to fulfil its functions.

Executive remuneration and performance

The total number of executive positions at equivalent to SES Level 1 or higher is seven. The number of female executives is four.

The following table provides the required information on executives who are equivalent to SES Level 5 and above.

The Premier has expressed satisfaction with the performance of the CEO, and the CEO has expressed satisfaction with the performance of his executive team throughout 2011-12.

Infrastructure NSW does not make performance payments.

Name	Position	Remuneration as at 30 June 2012	Statement of performance
P Broad	CEO and Coordinator General	\$512,500	Managed and controlled the strategic direction and affairs of Infrastructure NSW from its inception. Achieved key milestones including delivery of the 20 year State Infrastructure Strategy in September 2012 as agreed with the Premier. Since being assigned responsibility for the redevelopment of the exhibition, entertainment and convention facilities at Darling Harbour by the Premier in September 2011, has overseen the procurement of the Sydney International Convention Exhibition and Entertainment Precinct (SICEEP) project, estimated at around \$1 billion. Provided strategic advice about major infrastructure matters to the Premier including as a co-opted member of the Cabinet Standing Committee on Infrastructure.
A Jones	Chief Operating Officer	\$378,165	Managed the start-up activities to establish Infrastructure NSW and is responsible for day to day management and governance, as well as fulfilling the role of Company Secretary. Co-ordination of key deliverables including the 20 year State Infrastructure Strategy and major projects assurance and reporting. Represents Infrastructure NSW on a number of key forums including the Unsolicited Proposals Steering Committee.
E Flaherty	Executive Director Urban Renewal and Legal	\$350,000	Joined Infrastructure NSW in May 2012 to develop urban renewal elements of the 20 year State Infrastructure Strategy including options for relieving congestion in the Sydney CBD as well as the development of sectoral strategies for the Arts. Contributed expert advice with regard to other major PPPs in contemplation by the government including in the health and transport sectors.

Name	Position	Remuneration as at 30 June 2012	Statement of performance
S Olsen	Executive Director Corporate Affairs	\$275,000	Established and managed the strategic communication function for Infrastructure NSW, including contributing to the development of policies, overall management and execution of major initiatives. Developed an independent brand identity; managed communication activities related to key deliverables including the State Infrastructure Strategy; and is responsible for leading community and stakeholder engagement for the development of the Sydney International Convention, Exhibition & Entertainment Centre Precinct. Acted as Company Secretary as required.
R Parker	Executive Director Performance Management	\$292,612	Supported the start-up activities to establish Infrastructure NSW and responsible for managing budget and financial reporting. Developed infrastructure strategies for regional NSW for inclusion in the State Infrastructure Strategy and coordinated State submissions to the Federal Government for Regional Infrastructure Funding. Established Infrastructure NSW's major project assurance framework and managed reporting of major capital programs to the Cabinet Infrastructure Committee.
T Parker	Project Director SICEEP	\$400,000	Appointed as Project Director, Sydney International Convention Exhibition and Entertainment Precinct (SICEEP) managed the Expression of Interest process resulting in the shortlisting of three Proponents in December 2011. Led and managed preparation of the SICEEP project Business Case, the Request for Proposal issued in April 2012 and the interactive tender evaluation process with short-listed proponents. Responsible for industry and stakeholder consultation for this high profile project estimated to cost around \$1 billion.
C Swann	Executive Director Investment & Reform	\$450,000	Provided strategic leadership of the Sydney International Convention Exhibition and Entertainment Precinct (SICEEP) project PPP, leading interactive sessions with proponents to assist market formation and is Deputy Chair of the SICEEP Steering Committee. Strategic leadership role in the development of the 20 year State Infrastructure Strategy in transport and development of the WestConnex proposal. Expert advisor on funding options structuring of major private and public sector proposals including the North West rail Link.

Personnel policies and practices

Infrastructure NSW has adopted the best policies and practices of both the public and private sector in employee management. Officers of the Infrastructure Special Officers Group are employed under an employment agreement which determines the significant conditions of employment. The employment agreement was developed specifically for Infrastructure NSW in line with SES guidelines for non-public service divisions. Each role was assessed to establish suitable remuneration and performance standards set. A payroll provider was engaged and leave entitlements were determined and a record keeping system established and made accessible to staff via the web.

Industrial relations policies and practices

There were no industrial disputes lodged and no working time was lost due to industrial disputes during the year. There were no exceptional movements in wages, salaries or allowances with each appointment being made at market rate for the speciality function.

Equal employment opportunity

Infrastructure NSW is committed to equal employment opportunity. As this was the first year of operation for Infrastructure NSW, a staff survey was used to determine the baseline set of characteristics for the employee

population. EEO is of a high priority and initiatives will be directed at continuous improvement on the baseline data. The first of these is an Infrastructure NSW training and development plan for the further development of staff.

Position descriptions and selection criteria will continue to be developed for all positions as they are created within Infrastructure NSW. Adherence to merit selection processes will ensure recruitment based on skill sets. A structured performance assessment process will inform career development providing input to the training and development plan.

Occupational health and safety

Infrastructure NSW has adopted a positive approach to the management of workplace safety, in a low risk office-based environment. The 2012 financial year was Infrastructure NSW's first year of operation and as such Infrastructure NSW adopted the OHS structure, also meeting the building management requirements. There were no workplace injuries during the 2012 financial year.

Disability plans and multicultural policies and services program

In its first year of operation, Infrastructure NSW commenced developing disability plans. As a small statutory body, Infrastructure NSW plans to meet its obligation to report on its progress triennially.

Similarly, Infrastructure NSW commenced developing its Multicultural Policies and Services Program, recognising the principles and broader direction of the Community Relations Commission's Plan of Action 2012.

In line with these principles, during the 2012 financial year, Infrastructure NSW:

- Ensured its recruitment practices are merit-based and not disadvantageous to any specific cultural group; and
- Ensured that discrimination is not tolerated in any behaviour or practice in relation to Infrastructure NSW.

Infrastructure NSW recognises that competent service delivery requires us to understand diversity, to manage it, to reflect it and to draw on it. Diversity of people, languages, backgrounds, education and opinions is considered a valuable resource. It is valuable in terms of collating information, tasking, deployment and reporting.

Staff needs for cross-cultural training and education will be assessed and appropriate strategies developed to raise the competence, skills and awareness of staff to work with and meet the needs of culturally and linguistically diverse groups within their community.

Aged Analysis at the end of each quarter

Quarter	Current (i.e. within due date)	Less than 30 days overdue	Between 30 and 60 days overdue	Between 60 and 90 days overdue	More than 90 days overdue
	\$	\$	\$	\$	\$
ALL SUPPLIERS					
September	214	0	0	0	0
December	176,759	0	0	0	0
March	137,812	0	37	0	0
June	0	0	0	0	0
SMALL BUSINESS SUPPLIERS					
September	0	0	0	0	0
December	0	0	0	0	0
March	0	0	0	0	0
June	0	0	0	0	0

As a small statutory body, Infrastructure NSW plans to meet its obligation to report on its progress triennially.

Waste

Infrastructure NSW is committed to waste reduction and the minimisation of energy use. Infrastructure NSW actively encourages staff to minimise daily waste by providing recycling facilities for paper, plastic, glass and aluminium. As a small statutory body, Infrastructure NSW plans to meet its obligation to report on its progress triennially.

Credit card certification

In accordance with Treasurer's Directions 205.01-205.08, it is certified that credit card usage by Infrastructure NSW officers conforms with the appropriate government policies, Premier's Memoranda and Treasurer's Directions.

Infrastructure NSW currently has three credit cards on issue with a total limit of \$20,000.

Payment of accounts

The tables below summarise the account payment performance during 2011-12.

There were no instances where penalty interest was paid during 2011-12 and there were no significant events that affected payment performance during the reporting period.

Accounts due or paid within each quarter

Measure	Sept	Dec	March	June
ALL SUPPLIERS				
Number of accounts due for payment	57	200	328	345
Number of accounts paid on time	57	197	326	342
Actual percentage of accounts paid on time (based on number of accounts)	100.00%	98.50%	99.39%	99.13%
Dollar amount of accounts due for payment	274,605	2,902,268	4,526,749	6,917,442
Dollar amount of accounts paid on time	274,605	2,901,072	4,526,749	6,917,442
Actual percentage of accounts paid on time (based on \$)	100.00%	99.96%	100.00%	100.00%
Number of payments for interest on overdue accounts	0	0	0	0
Interest paid on overdue accounts	0	0	0	0
SMALL BUSINESS SUPPLIERS				
Number of accounts due for payment	0	0	0	0
Number of accounts paid on time	0	0	0	0
Actual percentage of accounts paid on time (based on number of accounts)	0.00%	0.00%	0.00%	0.00%
Dollar amount of accounts due for payment	0	0	0	0
Dollar amount of accounts paid on time	0	0	0	0
Actual percentage of accounts paid on time (based on \$)	0.00%	0.00%	0.00%	0.00%
Number of payments for interest on overdue accounts	0	0	0	0
Interest paid on overdue accounts	0	0	0	0

Insurance

Infrastructure NSW utilises the NSW Treasury Managed Fund for its insurance requirements including workers' compensation, motor vehicles, public liability, property and miscellaneous items. During 2011-12 there were no claims made against any of these insurance categories.

Annual report production

The production and printing of the 2011-12 Annual Report was \$10,890 (ex GST). A PDF version of the report is available for downloading at www.insw.com

Promotion

No overseas visits were undertaken by Infrastructure NSW employees for the purpose of promoting the agency.

Responding to consumers

Infrastructure NSW is a small agency that does not deliver direct services to the public.

Consultants

Infrastructure NSW was created with the intention of having a specialist small agency drawing on the best in the public and private sector to provide independent advice to Government as outlined in the *Infrastructure NSW Act 2011*. As such, Infrastructure NSW engages external consultants and contractors to support peaks in workloads as necessary. This enables specialist private sector resources to be used economically and efficiently as required.

Infrastructure NSW undertook only one engagement for consultancy services during the 2011-12 financial year. This was for a Rail Network Strategy Review provided by Interfleet Transport Advisory Ltd.

In addition, Infrastructure NSW undertook a number of external engagements with contracted service providers throughout the 2011-12 financial year to enable it to perform its functions. This included the engagement of industry experts to investigate options as directed in the preparation of the State Infrastructure Strategy, as outlined in the following table.

Consultancy and contracted services engagements

Name	Amount (\$)	Description
Consultancy Services¹		
Interfleet Transport Advisory	100,000.00	Rail Network Strategy Review
	100,000.00	
Contracted Services		
GHD	300,000.00	NSW Infrastructure Capability Assessment
L.E.K.	218,284.44	Sydney CBD Access Strategy
Deloitte Access Economics	170,580.00	Economic modelling of the NSW economy
PricewaterhouseCoopers	147,147.40	Preliminary Baseline Reports
GHD	121,604.00	Water Infrastructure Strategy
Evans & Peck	120,000.00	Motorway master plan
Ernst & Young	110,000.00	Port Botany - Sydney Airport Precinct
GHD	74,862.00	State Infrastructure Sectoral Analysis
Deloitte	69,375.00	Regional & Freight Studies
Molino Stewart	48,865.62	Hawkesbury Nepean Flood Damages Report
Repucom	42,500.00	Australian Arts Sector Funding Review
SMART (University of Wollongong)	41,250.00	State Road Pricing
SMART (University of Wollongong)	37,500.00	Port Botany-Kingsford Smith Airport Precinct Model
MR Cagney	31,783.33	Inner Sydney Transport Report
Sapere	24,545.45	Energy Infrastructure Strategy
Hunter Valley Research Organisation	20,907.50	Regional Analysis
Douglas Economics	2,650.00	NSW Rail Pricing
	1,581,854.74	

1. As outlined in the Premier's Department Guidelines for the Engagement and Use of Consultants, a consultant is a person or organisation engaged under contract on a temporary basis to provide recommendations or high level specialist or professional advice to assist decision-making by management. Generally it is the advisory nature of the work that differentiates a consultant from other contractors.

Government Information (Public Access) Act 2009

The intention of the *Government Information (Public Access) Act 2009* (NSW) is to make government information more open and readily available to members of the public. Infrastructure NSW complies with this Act.

During the 2012 financial year, Infrastructure NSW received one GIPA Act access application from a Member of Parliament.

Infrastructure NSW provides the following statistical information about the access applications received which is required by Schedule 2 of the *Government Information (Public Access) Regulation 2009* (NSW):

Number of applications by type of applicant and outcome

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn	Members of the public (other)
Media	0	0	0	0	0	0	0	0	0
Members of Parliament	1	0	0	0	0	0	0	0	0
Private sector business	0	0	0	0	0	0	0	0	0
Not for profit organisations or community groups	0	0	0	0	0	0	0	0	0
Members of the public (application by legal representative)	0	0	0	0	0	0	0	0	0
Members of the public (other)	0	0	0	0	0	0	0	0	0
Personal information applications	0	0	0	0	0	0	0	0	0
Access applications (other than personal information applications)	0	0	0	0	0	0	0	0	0
Access applications that are partly personal information applications and partly other	0	0	0	0	0	0	0	0	0

Public interest disclosures

During the 2012 financial year, Infrastructure NSW received no public interest disclosures.

**For further information or to comment on this
2012 Annual Report, please contact:**

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