Annual Report

Transport for NSW

Roads and Maritime Services

2016–17 • Volume 2

NSW GOVERNMENT

INDEPENDENT AUDITOR'S REPORT

Roads and Maritime Services

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Roads and Maritime Services (RMS), which comprise the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity, statement of cash flows and service group statements for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of RMS as at 30 June 2017, 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* (PF&A Act) and the Public Finance and Audit Regulation 2015.

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

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of RMS in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles 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
- precluding the Auditor-General from providing non-audit services.

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

The Chief Executive's Responsibility for the Financial Statements

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

In preparing the financial statements, the Chief Executive must assess RMS's ability to continue as a going concern except where RMS will be dissolved by an Act of Parliament or otherwise cease operations. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that RMS carried out its activities effectively, efficiently and economically
- about the assumptions used in formulating the budget figures disclosed in the financial statements
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

Weini Liao
Director, Financial Audit Services

14 September 2017
SYDNEY

Roads and Maritime Services

Annual Financial Statements

for the year ended 30 June 2017

TABLE OF CONTENTS

Statement by the Chief Executive 3

Statement of comprehensive income 4

Statement of financial position 5

Statement of changes in equity 6

Statement of cash flows 7

Service group statements 8

1. Summary of significant accounting policies 11
2. Expenses excluding losses 31
3. Revenue 34
4. Gain/(loss) on disposal 36
5. Other gains/(losses) 36
6. Write-off/down of land & buildings and infrastructure assets 37
7. Service groups of Roads and Maritime Services 38
8. Cash and cash equivalents 38
9. Receivables 39
10. Other financial assets 40
11. Financial assets at fair value 40
12. Property, plant and equipment 41
13. Non-current assets - intangibles assets and other 50
14. Non-current assets held for sale 57
15. Fair value measurement of non-financial assets 58
16. Restricted Assets 63
17. Payables 64
18. Borrowings 65
19. Financial instruments 66
20. Provisions 74
21. Other liabilities 75
22. Commitments for expenditure 77
23. Increase in net assets from equity transfers 80
24. Events after the reporting period 80
25. Contingent assets and contingent liabilities 81
26. Budget Review 82
27. Native title 83
28. Administered income and expenses 83
29. Administered assets and liabilities 83
30. Reconciliation of cash flows from operating activities to net result 84
31. Non-cash financing and investing activities 84
32. Related Party Disclosures 85

Roads and Maritime Services
Statement by the Chief Executive
for the year ended 30 June 2017

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

1. The accompanying financial statements and notes thereto exhibit a true and fair view of Roads and Maritime Services financial position as at 30 June 2017 and financial performance for the year ended 30 June 2017

2. The statements have been prepared in accordance with the provisions of applicable Accounting Standards (which include Australian Accounting Interpretations), the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2015*, and the Financial Reporting Directions mandated by the Treasurer.

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

Ken Kanofski	Fiona Trussell
Chief Executive	Chief Financial Officer
14 September 2017	14 September 2017

Roads and Maritime Services
Statement of comprehensive income
for the year ended 30 June 2017

	Notes	Actual 2017 $'000	Budget 2017 $'000	Actual* 2016 $'000
Expenses excluding losses				
Operating expenses				
- Employee related expenses	2(a)	31,572	34,629	22,067
- Personnel services expenses	2(a)	435,300	494,968	498,742
- Other operating expenses	2(b)	679,218	584,086	708,288
- Maintenance	2(c)	474,545	445,720	459,602
Depreciation and amortisation	2(d)	1,638,951	1,970,919	1,604,112
Grants and subsidies	2(e)	440,591	424,097	431,393
Finance costs	2(f)	36,172	31,124	34,852
Total expenses excluding losses		**3,736,349**	**3,985,543**	**3,759,056**
Revenue				
Sale of goods and services	3(a)	631,347	500,751	623,819
Personnel service revenue		1,126	-	3,023
Investment revenue	3(b)	38,235	15,483	30,971
Retained taxes, fees and fines	3(c)	70,660	52,623	67,160
Operating grant received from Transport for NSW (TfNSW)	3(d)	1,282,828	1,227,252	1,349,095
Capital grant received from TfNSW	3(d)	4,264,278	5,033,892	4,410,884
Other grants and contributions	3(e)	116,557	45,116	179,640
Other income	3(f)	336,380	361,843	342,015
Total revenue		**6,741,411**	**7,236,960**	**7,006,607**
Gain/(losses) on disposal of property, plant and equipment	4	127,940	(62)	(7,020)
Other gains/(losses)	5	(633,613)	(918,161)	(90,127)
Net result		**2,499,389**	**2,333,194**	**3,150,404**
Other comprehensive income				
Items that will not be reclassified to net result				
Net increase/(decrease) in property, plant and equipment revaluation surplus	12	929,538	2,664,479	77,234
Total other comprehensive income		**929,538**	**2,664,479**	**77,234**
Total comprehensive income		**3,428,927**	**4,997,673**	**3,227,638**

***The prior year balances include the revenues and expenses of WestConnex Delivery Authority (WDA) for the 3 months period ended 30 September 2015 (refer to Note 1(a)).**

The accompanying notes form part of these financial statements.

Roads and Maritime Services
Statement of financial position
as at 30 June 2017

	Notes	Actual 2017 $'000	Budget 2017 $'000	Actual 2016 $'000
ASSETS				
Current assets				
Cash and cash equivalents	8	748,652	304,486	617,943
Receivables	9	512,597	256,504	301,878
Inventories		5,676	6,910	6,341
Financial assets at fair value	11	104,857	99,634	97,518
		1,371,782	**667,534**	**1,023,680**
Non-current assets classified as Held for Sale	14	275	4,866	229,176
Total current assets		**1,372,057**	**672,400**	**1,252,856**
Non-current assets				
Receivables	9	396,659	360,001	27,598
Other financial assets (at amortised cost)	10	390,532	397,381	372,829
Property plant & equipment				
- Land and buildings	12(a)	3,630,252	2,863,804	3,463,896
- Plant and equipment	12(b)	110,389	107,582	109,291
- Infrastructure systems	12(c)	78,803,046	83,499,625	75,960,753
Total property, plant and equipment		**82,543,687**	**86,471,011**	**79,533,940**
Private sector provided infrastructure	13(a)	1,834,908	1,823,007	1,601,496
Intangible assets	13(b)	169,166	167,518	157,528
Total non-current assets		**85,334,952**	**89,218,918**	**81,693,391**
Total assets		**86,707,009**	**89,891,318**	**82,946,247**
LIABILITIES				
Current liabilities				
Payables	17	1,238,319	940,454	919,648
Borrowings	18	53,680	37,685	47,117
Provisions	20	7,108	4,825	6,991
Other	21	243,579	246,849	214,240
Total current liabilities		**1,542,686**	**1,229,813**	**1,187,996**
Non-current liabilities				
Payables	17	15,092	8,158	7,106
Borrowings	18	305,133	327,709	358,813
Provisions	20	10,605	14,986	11,119
Other	21	652,121	662,636	671,833
Total non-current liabilities		**982,951**	**1,013,489**	**1,048,871**
Total liabilities		**2,525,637**	**2,243,302**	**2,236,867**
Net assets		**84,181,372**	**87,648,016**	**80,709,380**
EQUITY				
Accumulated funds		72,146,225	71,136,348	69,399,065
Reserves		12,035,147	16,511,668	11,310,315
Total equity		**84,181,372**	**87,648,016**	**80,709,380**

The accompanying notes form part of these financial statements.

Roads and Maritime Services
Statement of changes in equity
for the year ended 30 June 2017

	Notes	Accumulated funds $ '000	Asset revaluation surplus $ '000	Total equity $ '000
Balance at 1 July 2016		**69,399,065**	**11,310,315**	**80,709,380**
Net result for the year		**2,499,389**	**-**	**2,499,389**
Other comprehensive income				
Net increase/(decrease) in property, plant and equipment revaluation surplus	12	-	929,538	929,538
Total other comprehensive income for the year		**-**	**929,538**	**929,538**
Total comprehensive income for the year		**2,499,389**	**929,538**	**3,428,927**
Transfers within equity				
Asset revaluation reserve balance transferred to accumulated funds on disposal of assets		204,706	(204,706)	-
Transactions with owners in their capacity as owners				
Increase/(decrease) in net assets from equity transfers	23	43,065	-	43,065
Balance at 30 June 2017		**72,146,225**	**12,035,147**	**84,181,372**
Balance at 1 July 2015		**64,857,181**	**11,270,276**	**76,127,457**
Net result for the year*		**3,150,404**	**-**	**3,150,404**
Other comprehensive income				
Net increase/(decrease) in property, plant and equipment revaluation surplus	12	-	77,234	77,234
Total other comprehensive income for the year		**-**	**77,234**	**77,234**
Total comprehensive income for the year		**3,150,404**	**77,234**	**3,227,638**
Transfers within equity				
Asset revaluation reserve balance transferred to accumulated funds on disposal of assets		37,195	(37,195)	-
Transactions with owners in their capacity as owners				
Increase/(decrease) in net assets from equity transfers	23	1,354,285	-	1,354,285
Balance at 30 June 2016		**69,399,065**	**11,310,315**	**80,709,380**

* The 2015-16 balance includes the net result of WDA for the 3 months period ended 30 September 2015 (refer to Note 1(a)).

The accompanying notes form part of these financial statements.

Roads and Maritime Services
Statement of cash flows
for the year ended 30 June 2017

	Notes	Actual 2017 $'000	Budget 2017 $'000	Actual* 2016 $'000
Cash flows from operating activities				
Payments				
Personnel services and employee related		(463,527)	(512,873)	(475,759)
Grants and subsidies		(399,912)	(353,275)	(340,966)
Finance costs		(29,390)	(31,124)	(34,854)
Other		(1,865,262)	(1,736,742)	(1,951,570)
Total payments		**(2,758,091)**	**(2,634,014)**	**(2,803,149)**
Receipts				
Sale of goods and services		799,865	463,184	827,322
Retained taxes, fees and fines		70,660	-	67,160
Interest received		5,363	5,621	4,455
Other grants and contributions		115,689	24,497	179,097
Other		498,650	714,469	453,767
Operating grants received from TfNSW		1,282,828	1,227,252	1,349,095
Capital grants received from TfNSW		4,176,127	5,016,693	4,352,514
Total receipts		**6,949,182**	**7,451,716**	**7,233,410**
Net cash flows from operating activities		**4,191,091**	**4,817,702**	**4,430,261**
Cash flows from investing activities				
Proceeds from sale of land and buildings, plant and equipment and infrastructure systems		110,986	26,130	47,234
Purchases of land and buildings, plant and equipment and infrastructure systems		(4,124,251)	(4,904,527)	(4,524,220)
Investment in T-Corp Hour Glass Facilities		-	-	(33,921)
Proceeds from sale of Financial Assets		-	-	174,201
Net cash flows from investing activities		**(4,013,265)**	**(4,878,397)**	**(4,336,706)**
Cash flows from financing activities				
Repayment of borrowings and advances		-	-	(2,130)
Payment of finance lease liabilities		(47,117)	(45,632)	(41,385)
Net cash flows from financing activities		**(47,117)**	**(45,632)**	**(43,515)**
Net increase / (decrease) in cash		**130,709**	**(106,327)**	**50,040**
Opening cash and cash equivalents	8	617,943	413,243	567,903
Reclassification of cash equivalents		-	(2,430)	-
Closing cash and cash equivalents	8	**748,652**	**304,486**	**617,943**

***The prior year balances include the cash inflows and outflows of WDA for the 3 months period ended 30 September 2015 (refer to Note 1(a)).**

The accompanying notes form part of these financial statements.

Roads and Maritime Services
Service group statements
for the year ended 30 June 2017

Roads and Maritime Services expenses and income

	Asset Maintenance*		Services & Operations*		Growth & Improvement*		Not attributable		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Expenses excluding losses										
Operating expenses										
- Employee related expenses	89	-	27,289	16,971	4,194	5,096	-	-	31,572	22,067
- Personnel services expenses	126,540	125,932	286,298	370,293	22,462	2,517	-	-	435,300	498,742
- Other operating expenses	80,752	48,077	562,767	610,249	35,699	49,962	-	-	679,218	708,288
- Maintenance	403,882	404,285	70,226	51,677	437	3,640	-	-	474,545	459,602
Depreciation and amortisation	-	-	1,638,951	1,604,112	-	-	-	-	1,638,951	1,604,112
Grants and subsidies	236,017	290,488	110,198	120,415	94,376	20,490	-	-	440,591	431,393
Finance costs	-	-	36,172	34,852	-	-	-	-	36,172	34,852
Total expenses excluding losses	**847,280**	**868,782**	**2,731,901**	**2,808,569**	**157,168**	**81,705**	**-**	**-**	**3,736,349**	**3,759,056**
Revenue										
Sale of goods and services	21,487	24,771	593,037	570,517	16,823	28,531	-	-	631,347	623,819
Personnel service revenue	-	-	1,126	3,023	-	-	-	-	1,126	3,023
Investment revenue	-	-	38,235	30,869	-	102	-	-	38,235	30,971
Retained taxes, fees and fines	56,500	-	14,160	67,160	-	-	-	-	70,660	67,160
Operating grant received from Transport for NSW (TfNSW)	503,831	596,055	685,537	680,290	93,460	72,750	-	-	1,282,828	1,349,095
Capital grant received from TfNSW	583,993	684,424	126,437	85,232	3,553,848	3,641,228	-	-	4,264,278	4,410,884
Other grants and contributions	27,616	932	82,763	102,576	6,178	76,132	-	-	116,557	179,640
Other revenue	13,487	16,501	316,378	323,680	6,515	1,834	-	-	336,380	342,015
Total revenue	**1,206,914**	**1,322,683**	**1,857,673**	**1,863,347**	**3,676,824**	**3,820,577**	**-**	**-**	**6,741,411**	**7,006,607**
Gain/(losses) on disposal of property, plant and equipment	-	-	102,560	(32,400)	25,380	25,380	-	-	127,940	(7,020)
Other gains/(losses)	-	-	(633,613)	(90,127)	-	-	-	-	(633,613)	(90,127)
Net result	**359,634**	**453,901**	**(1,405,281)**	**(1,067,749)**	**3,545,036**	**3,764,252**	**-**	**-**	**2,499,389**	**3,150,404**
Other comprehensive income										
Net increase/(decrease) in asset revaluation reserve	-	-	929,538	77,234	-	-	-	-	929,538	77,234
Total other comprehensive income for the period	**-**	**-**	**929,538**	**77,234**	**-**	**-**	**-**	**-**	**929,538**	**77,234**
Total comprehensive income	**359,634**	**453,901**	**(475,743)**	**(990,515)**	**3,545,036**	**3,764,252**	**-**	**-**	**3,428,927**	**3,227,638**

***Refer to Note 7 for description of service group.**

The prior year balances include the net result of WDA for the 3 months period ended 30 September 2015 (refer to Note 1(a)).

Roads and Maritime Services
Service group statements
for the year ended 30 June 2017

Administered expenses and income

	Asset Maintenance*		Services & Operations*		Growth & Improvement*		Not attributable		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Administered expenses										
Other	-	-	-	-	-	-	-	-	-	-
Transfer payments	-	-	-	-	-	-	-	-	-	-
Administered expenses	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Administered income										
Transfer receipts	-	-	-	-	-	-	3,564,978	3,556,439	3,564,978	3,556,439
Administered income	**-**	**-**	**-**	**-**	**-**	**-**	**3,564,978**	**3,556,439**	**3,564,978**	**3,556,439**
Administered income less expenses	**-**	**-**	**-**	**-**	**-**	**-**	**3,564,978**	**3,556,439**	**3,564,978**	**3,556,439**

***Refer to Note 7 for description of service group.**

Administered assets and liabilities are disclosed in Note 29.

Roads and Maritime Services assets and liabilities

	Asset Maintenance*		Services & Operations*		Growth & Improvement*		Not attributable		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
ASSETS										
Current assets										
Cash and cash equivalents	-	429,895	748,652	143,298	-	44,750	-	-	748,652	617,943
Receivables	17,446	11,987	481,492	276,084	13,659	13,807	-	-	512,597	301,878
Inventories	-	-	5,676	6,341	-	-	-	-	5,676	6,341
Financial assets at fair value	-	-	104,857	97,518	-	-	-	-	104,857	97,518
Non-current assets classified as held for sale	-	-	275	229,176	-	-	-	-	275	229,176
Total current assets	**17,446**	**441,882**	**1,340,952**	**752,417**	**13,659**	**58,557**	**-**	**-**	**1,372,057**	**1,252,856**
Non-current assets										
Receivables	-	-	158,558	-	238,101	27,598	-	-	396,659	27,598
Other financial assets	-	-	390,532	372,829	-	-	-	-	390,532	372,829
Property, plant and equipment										
- Land and buildings	-	-	3,630,252	3,463,896	-	-	-	-	3,630,252	3,463,896
- Plant and equipment	-	-	110,389	109,291	-	-	-	-	110,389	109,291
- Infrastructure system	-	-	73,065,567	71,693,347	5,737,479	4,267,406	-	-	78,803,046	75,960,753
Private sector provided infrastructure	-	-	1,834,908	1,601,496	-	-	-	-	1,834,908	1,601,496
Intangible assets	-	-	169,166	157,528	-	-	-	-	169,166	157,528
Total non-current assets	**-**	**-**	**79,359,372**	**77,398,387**	**5,975,580**	**4,295,004**	**-**	**-**	**85,334,952**	**81,693,391**
Total assets	**17,446**	**441,882**	**80,700,324**	**78,150,804**	**5,989,239**	**4,353,561**	**-**	**-**	**86,707,009**	**82,946,247**
LIABILITIES										
Current liabilities										
Payables	224,070	62,424	946,876	792,353	67,373	64,871	-	-	1,238,319	919,648
Borrowings	-	-	53,680	47,117	-	-	-	-	53,680	47,117
Provisions	2,066	1,765	4,675	5,191	367	35	-	-	7,108	6,991
Other	28,959	14,542	201,818	184,586	12,802	15,112	-	-	243,579	214,240
Total current liabilities	**255,095**	**78,731**	**1,207,049**	**1,029,247**	**80,542**	**80,018**	**-**	**-**	**1,542,686**	**1,187,996**
Non-current liabilities										
Payables	2,807	482	11,497	6,123	788	501	-	-	15,092	7,106
Borrowings	-	-	305,133	358,813	-	-	-	-	305,133	358,813
Provisions	3,083	2,808	6,975	8,255	547	56	-	-	10,605	11,119
Other	77,530	45,603	540,316	578,839	34,275	47,391	-	-	652,121	671,833
Total non-current liabilities	**83,420**	**48,893**	**863,921**	**952,030**	**35,610**	**47,948**	**-**	**-**	**982,951**	**1,048,871**
Total liabilities	**338,515**	**127,624**	**2,070,970**	**1,981,277**	**116,152**	**127,966**	**-**	**-**	**2,525,637**	**2,236,867**
Net assets	**(321,069)**	**314,258**	**78,629,354**	**76,169,527**	**5,873,087**	**4,225,595**	**-**	**-**	**84,181,372**	**80,709,380**

*Refer to Note 7 for description of service group.

1. Summary of significant accounting policies

(a) Reporting entity

Roads and Maritime Services (RMS) is a NSW government entity and is controlled by the State of New South Wales, which is the ultimate parent. RMS is a not-for-profit entity (as profit is not its principal objective) and it has no cash generating units. The reporting entity is consolidated as part of the NSW Total State Sector Accounts.

WestConnex Delivery Authority (WDA) was a controlled entity of RMS up until its dissolution on 30 September 2015. On 1 October 2015 the WestConnex Delivery Authority (WDA) was dissolved by the *Transport Administration (General) Amendment (WestConnex Delivery Authority) Regulation 2015*. Pursuant to s.55C(7) of the *Transport Administration Act 1988*, on the dissolution of WDA, WDA's assets, rights and liabilities were transferred to RMS.

RMS' Statement of Comprehensive Income comparatives for the year ended 30 June 2016 include the revenues and expenses of WDA for the 3 months period ended 30 September 2015.

The financial statements for the year ended 30 June 2017 have been authorised for issue by the Chief Executive of RMS on 14 September 2017, the date when the accompanying statement under s.41C (1C) of the *Public Finance and Audit Act 1983* was signed.

(b) Basis of preparation

The RMS financial statements are general purpose financial statements which have been prepared on an accruals basis and in accordance with:

- Applicable Australian Accounting Standards (including Australian Accounting Interpretations).
- the requirements of the *Public Finance and Audit Act 1983* and *Public Finance and Audit Regulation 2015* and
- the Financial Reporting Directions mandated by the Treasurer.

Going concern
RMS has funding arrangements with Transport for NSW (TfNSW) providing funding in the form of grants. The 2017–18 TfNSW budget papers issued on 20 June 2017 include an amount payable for Grants and Contributions of $7,742.2 million to RMS in the 2017–18 financial year. This funding is sufficient for RMS to continue its recurrent and capital operations. In addition, RMS has a $110 million TCorp 'Come and Go' Facility which was unused as at 30 June 2017. This is available to pay any obligations when they fall due (refer to Note 19(f)).

Fair value
Property, plant and equipment, non-current assets held for sale, and financial assets at 'fair value through profit or loss' and available for sale are measured at fair value.

Historical cost convention
Other financial statement items are prepared in accordance with the historical cost convention except where specified otherwise.

Estimates
Judgements, key assumptions and estimates made by management about carrying values of assets and liabilities are disclosed in the relevant notes to the financial statements. Refer to note 1(aa) for a summary of critical accounting estimates, judgements and assumptions determined when preparing the financial statements.

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

1. Summary of significant accounting policies (continued)

(c) Statement of compliance

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

(d) Changes in accounting policy, including new or revised Australian Accounting Standards

(i) Effective for the first time in 2016-17

The accounting policies applied in 2016-17 are consistent with those of the previous financial year except as a result of the following new or revised Australian Accounting Standards that have been applied for the first time in 2016-17. The impact of these Standards in the period of initial application is set out below:

Standard	Summary of key requirements of new/revised standard	Impact on Reporting Entity's 2016-17 financial statements
AASB 2015-6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities	The objective of this Standard is to extend the scope of AASB 124 Related Party Disclosures to include not-for-profit public sector entities. This Standard also makes related amendments to AASB 10 Consolidated Financial Statements and AASB 1049 Whole of Government and General Government Sector Financial Reporting, and an editorial correction to AASB 124. The AASB noted that the version of AASB 124 issued in December 2009 provides a more appropriate basis for application by not-for-profit public sector entities than earlier versions of the Standard, as transactions between government-related entities of the same jurisdiction are exempted partially from disclosure. Therefore, in furtherance of its policy of promulgating transaction-neutral Standards to the extent feasible, the AASB is amending AASB 124 to require not-for-profit public sector entities to apply the Standard.	RMS has disclosed its material related party relationships and transactions in Note 32.

(ii) Issued but not yet effective

NSW public sector entities are not permitted to early adopt new Australian Accounting Standards, unless Treasury determines otherwise.

The following new Australian Accounting Standards have not been applied, and are not yet effective and the entity's assessment of the impact of these new standards in the period of initial application is set out below:

1. Summary of significant accounting policies (continued)

Standard	Summary of key requirements/changes	Applicable to annual reporting periods beginning on or after	Expected Impact on Reporting Entity's financial statements on initial application
AASB 9, AASB 2014–7 and 2016-8 regarding financial instruments	AASB 9 introduces new requirements for the classification, measurement and de-recognition of financial assets and financial liabilities. AASB 9 replaces the existing four key category approach to measurement after initial recognition to two categories – either amortised cost or fair value. AASB 2014–7 incorporates the consequential amendments arising from the issuance of AASB 9 in Dec 2014.	1 January 2018	On initial application of AASB 9, all existing financial instruments will need to be classified according to the AASB 9 criteria and transitional requirements. RMS does not have many complex financial instruments. Therefore, the impact on RMS' accounting for financial assets and liabilities is not expected to be significant.
AASB 15, AASB 2014-5, AASB 2015-8, 2016-3, 2016-7 and AASB 2016-8 regarding Revenue from Contracts with Customers	The purpose of AASB15 was to improve the revenue recognition requirements, remove inconsistencies and weaknesses in existing standards, and improve comparability and disclosure of useful information to readers of financial statements. AASB 15 replaces AASB 118 Revenue, AASB 111 Construction Contracts and some revenue-related Interpretations establishing a new revenue recognition model, changing the basis for deciding whether revenue is to be recognised over time or at a point in time; providing new and more detailed guidance on specific topics (e.g., multiple element arrangements, variable pricing, rights of return, warranties and licensing) and expanding and improving disclosures about revenue. In the Australian context, AASB 15 will apply to contracts of not-for-profit (NFP) entities that are exchange transactions. AASB 1004 Contributions will continue to apply to non-exchange transactions until the Income from Transactions of NFP Entities Project is completed. AASB 2016-7 defers the application date of AASB 15 for not-for-profit entities to annual reporting periods beginning on or after 1 January 2019 instead of 1 January 2018.	1 January 2019	RMS currently recognises revenue arising from customer contracts as follows: – Sale of goods - when RMS transfers the significant risks and rewards of ownership of the assets. – User charges - when RMS obtains control of the assets that result from them. – Rendering of services - when the service is provided or by reference to the stage of completion. The initial application of this standard is not expected to result in significant changes to the RMS revenue recognition and additional note disclosure in the RMS financial statements.

1. Summary of significant accounting policies (continued)

Standard	Summary of key requirements/changes	Applicable to annual reporting periods beginning on or after	Expected Impact on Reporting Entity's financial statements on initial application
	AASB 2014-5 incorporates the consequential amendments to a number of Australian Accounting Standards (including interpretations) arising from the issuance of AASB 15.		
AASB 16 Leases	AASB 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments. AASB 16 substantially carries forward the lessor accounting requirements in AASB 117 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.	1 January 2019	RMS has recognised the asset and liability relating to the Sydney Harbour Tunnel finance lease in accordance with AASB 117. RMS has also accounted the use of fleet and property rental as operating leases in accordance with AASB 117. The initial application of this standard will result in RMS bringing into account the right-to- use asset and liability to represent the lease payment obligation for its operating leases.
AASB 1058 Income of Not-for-Profit Entities	AASB 1058 clarifies and simplifies the income recognition requirements that apply to not-for-profit (NFP) entities. Particularly when a NFP entity: - receives volunteer services, or - acquires an asset where the consideration is significantly less than the fair value of the asset, principally to enable the entity to further its objectives. Local governments, government departments, general government sectors (GGSs) and whole of governments are required to recognise volunteer services if they would have been purchased and the fair value of those services can be measured reliably. Upon initial recognition of an asset, this Standard requires the entity to consider whether any other financial statement elements (called 'related amounts') should be recognised, such as: (a) contributions by owners;	1 January 2019	RMS currently recognises grants and contributions received from NSW government agencies and other bodies as income when RMS obtains control over the assets comprising the grants. Control over grants is normally obtained upon the receipt of cash or when the right to receive the cash/asset arises. RMS also accounts for any assets vested between NSW government agencies as equity transfers. The initial application of this standard is not expected to result in significant changes to the RMS revenue recognition and additional note disclosure in the RMS financial statements.

1. Summary of significant accounting policies (continued)

Standard	Summary of key requirements/changes	Applicable to annual reporting periods beginning on or after	Expected Impact on Reporting Entity's financial statements on initial application
	(b) revenue, or a contract liability arising from a contract with a customer; (c) a lease liability; (d) a financial instrument; or (e) a provision. These related amounts are accounted for in accordance with the applicable Australian Accounting Standard.		

The following new Australian Accounting Standards have not been applied, are not yet effective and not applicable/insignificant to RMS:

(i) Not applicable

- AASB 2016-1 Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets for Unrealised Losses
- AASB 2016-5 Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions
- AASB 2016-6 Amendments to Australian Accounting Standards - Applying AASB 9 with AASB 4 Insurance Contracts
- AASB 2017-1 Amendments to Australian Accounting Standards - Transfer of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments
- AASB 2017-2 Amendments to Australian Accounting Standards - Further Annual Improvements 2014-2016 Cycle

(ii) Insignificant impact

- AASB 2016-4 Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities
- AASB 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107
- Interpretation 22 Foreign Currency Transactions and Advance Consideration

1. Summary of significant accounting policies (continued)

(e) Administered activities

RMS administers, but does not control, the collection of various fees, fines and levies on behalf of the Crown Entity. Monies collected are not recognised as RMS' revenue but are separately disclosed in the Administered Income and Expenses note (refer to Note 28). RMS is accountable for the transactions relating to these administered activities but does not have the discretion, for example, to deploy the resources for the achievement of its own objectives.

Transactions and balances relating to the administered activities are not recognised as RMS' income, expenses, assets and liabilities, but are disclosed as "Administered Income and Expenses" (refer to Note 28), and "Administered Assets and Liabilities" (refer to Note 29).

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

(f) Income recognition

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

(i) Grants and Contributions

RMS receives capital and operating grants from TfNSW instead of receiving budget appropriations directly from NSW Treasury. RMS also receives grants and contributions from other NSW government agencies and other bodies. These grants are generally recognised as income when RMS obtains control over the assets comprising the grants. Control over grants is normally obtained upon the receipt of cash or when the right to receive the cash arises.

(ii) Sale of goods and rendering of services

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

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

(iii) Rental income

Rental income is recognised as revenue on an accrual basis, in accordance with AASB117 *Leases* on a straight-line basis over the lease term.

(iv) Investment revenue

Interest revenue is recognised using the effective interest method as set out in AASB 139 *Financial Instruments: Recognition and Measurement*. The effective interest rate method is the rate that exactly discounts the estimated future cash receipts.

The recognition of investment revenue arising from the NSW TCorp Hour-Glass Investment Facilities is detailed in note 1(l) (viii).

1. Summary of significant accounting policies (continued)

(v) Gains and losses

Gains and losses include gains and losses on disposals and fair value adjustments to physical and financial assets, and financial liabilities. Gains and losses on disposal are disclosed in accordance with Australian Accounting Standards for certain classes of assets such as property, plant and equipment, intangible assets and assets held for sale. Other gains and losses disclosed are those recognised in the net result arising from property, plant and equipment revaluations, write down of inventories, gain/loss resulting from financial assets and liabilities and reversal of unused provisions.

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

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

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

(vii) Amortisation of deferred revenue on PSPI Projects

Reimbursement of development costs in the form of upfront cash payments are treated as deferred revenue with an annual amortisation amount recognised on a straight-line basis over the life of the concession period.

(viii) Resources received free of charge

Resources received free of charge is recognised for personnel services long service leave and defined benefit superannuation expenses that are assumed by the Crown.

(g) Personnel services and other provisions

From the commencement of the *Government Sector Employment Act 2013* on 24 February 2014 and the resulting abolition of the RMS Division (which had until then provided personnel service to RMS), all employees employed under the RMS Division were transferred to Transport Service. As a result, RMS now recognises personnel services expenses and corresponding liability to Transport Service in its financial statements.

Following the NSW Treasury approval to transfer former RMS award staff personnel services liabilities relating to the Long Service Leave (LSL) and Defined Benefit Scheme Superannuation from Transport Service of NSW to the Crown Finance Entity, current and non-current personnel services payable of $1,356.4 million were transferred as an equity transfer effective 1 July 2015 (refer to Note 23).

(i) Other provisions

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

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

1. Summary of significant accounting policies (continued)

(ii) Make good provision

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

(iii) Personnel services income and shared services expense

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

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

(h) Finance costs

Finance costs are recognised as expenses in the period in which they are incurred, in accordance with Treasury's Mandate to not-for-profit NSW general government sector agencies. They include interest expenses calculated using the effective interest method as described in AASB 139 *Financial Instruments: Recognition and Measurements* and the unwinding of discount rate that applied to provisions.

(i) Insurance

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

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

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

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

- Amount of GST incurred by RMS as a purchaser that is not recoverable from the Australian Taxation Office (ATO) is recognised as part of an asset's cost of acquisition or as part of an item of expense.
- Receivables, payables, accruals and commitments are stated with the amount of GST included.
- Cash flows are included in the Statement of Cash Flows on a gross basis. However, the GST components of cash flows arising from investing and financing activities which is recoverable from, or payable to, the ATO are classified as operating cash flows.

(k) Fair value hierarchy

A number of the entity's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring fair value, the valuation technique used maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Under AASB 13, the entity categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

1. Summary of significant accounting policies (continued)

- Level 1 - quoted prices in active markets for identical assets / liabilities that the entity can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.
- Level 3 – inputs that are not based on observable market data (unobservable inputs).

The entity recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Refer to note 15 and note 19 for further disclosures regarding fair value measurements of financial and non-financial assets.

(l) Asset management policy

Acquisition of assets
Assets acquired are initially recognised at cost and subsequently revalued at fair value less accumulated depreciation. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other Australian Accounting Standards.

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

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

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at measurement date.

Where payment for property, plant and equipment is deferred beyond normal credit terms, its cost is the cash price equivalent; i.e. deferred payment amount is effectively discounted at an asset-specific rate over the period of credit.

Capitalisation thresholds
Property, plant and equipment and intangible assets costing above $5,000 individually, or forming part of a network costing more than $5,000, are capitalised. Some computer equipment and intangible assets costing above $1,000 are capitalised. Items below these amounts are expensed in the period in which they are incurred.

RMS changed its capitalisation threshold from $10,000 in previous years to $5,000 in the current year to align with Transport for NSW capitalisation threshold.

Valuation and depreciation
The residual values, useful lives and methods of depreciation of property, plant and equipment are subject to annual review.

Physical non-current assets are valued in accordance with the 'Valuation of Physical Non-Current Assets at Fair Value' Policy and Guidelines Paper (TPP 14-01). This policy adopts fair value in accordance with AASB 13 Fair Value Measurement and AASB 116 *Property, Plant and Equipment*.

Property, plant and equipment is measured at the highest and best use by market participants that is physically possible, legally permissible and financially feasible. The highest and best use must be available at a period that is not remote and take into account the characteristics of the asset being measured, including any socio-political restrictions imposed by government. In most cases, after taking into account these considerations, the highest and best use is the existing use. In limited circumstances, the highest and best use may be a feasible alternative use, where there are no restrictions on use or where there is a feasible higher restricted alternative use.

1. Summary of significant accounting policies (continued)

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Also refer to Note 15 for further information regarding fair value.

RMS revalues each class of property, plant and equipment with sufficient regularity to ensure the carrying amount of each asset in the class does not differ materially from its fair value at reporting date. Further details on asset revaluations can be found in note 15.

Interim revaluations are performed between comprehensive revaluations where cumulative changes to indicators/indices suggest fair value may differ materially from carrying value. Generally, an interim revaluation is performed by management if the cumulative changes in indicators/indices are less than 20%. An interim formal revaluation is performed by external professionally qualified valuers when the cumulative changes in indicators/indices exceed 20%.

In circumstances where asset values are deemed material, management may engage external valuers to perform an interim revaluation where changes in indicators/indices are lower than 20%. Management will assess whether comprehensive revaluations are required more frequently if the interim revaluations indicate movements are generally more than 20%.

Non-specialised assets with short useful lives are measured at depreciated historical cost, as an approximation of fair value. The entity has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

When revaluing non-current assets using the cost approach, the gross amount and the related accumulated depreciation are separately restated.

For other assets valued using other valuation techniques, any balances of accumulated depreciation at the revaluation date in respect of those assets are credited to the asset accounts to which they relate. The net asset accounts are then increased or decreased by the revaluation increments or decrement.

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

Revaluation decrements are recognised immediately as expenses, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited directly to the asset revaluation reserve.
As a not-for-profit entity, revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.

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

Impairment of property, plant and equipment
As a not-for-profit entity with no cash generating units, impairment under AASB 136 *Impairment of Assets* is unlikely to arise. As property, plant and equipment is carried at fair value or an amount that approximates fair value, impairment can only arise in the rare circumstances such as where the costs of disposal are material. Specifically, impairment is unlikely for not-for-profit entities given that AASB 136 modifies the recoverable amount test for non-cash generating assets of not-for-profit entities to the higher of fair value less costs of disposal and depreciated replacement cost, where depreciated replacement cost is also fair value.

The entity assesses, during each reporting date, whether there is an indication that an asset may be impaired.

1. Summary of significant accounting policies (continued)

(i) Plant and equipment

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

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

Except for certain non-depreciable assets, depreciation is provided for on a straight-line basis so as to write off the depreciable amount of each asset as it is consumed over its useful life to the entity.

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

Estimates of useful life for depreciation and amortisation purposes have been determined with regard to a number of factors including the expected retention period by the entity and the underlying physical, technical and commercial nature of the assets as defined in AASB 116 *Property, Plant and Equipment*. In accordance with this standard the shortest alternative useful life is applied.

(ii) Land and buildings

Asset	Measurement/Valuation policy	Depreciation policy
Administrative land and buildings in service Works administration properties	Land and buildings in service are generally valued using the market approach and at depreciated replacement cost (buildings). Where such properties are rented externally they are valued at current market value. Land and buildings in service are revalued at least every three years by registered valuers. Annual indexation is applied to ensure that carrying amounts do not differ materially from fair value at reporting date.	Buildings – Depreciated on the straight-line basis over the estimated useful life of between 10 and 50 years.
Land and Buildings Acquired for Future Roadworks (LAFFRW)	LAFFRW comprises of untenanted land for road (ULR), public reserves, rental and surplus properties. With the exception of public reserves, LAFFRW are initially valued at acquisition cost and progressively revalued to current market value over a three year cycle by registered valuers. Annual indexation is applied to ensure that carrying amounts do not differ materially from fair value at reporting date. Public reserves are initially valued at acquisition cost and revalued to the Urban Average Rateable Value per hectare within	No depreciation is charged as buildings are not purchased to generate revenue but ultimately to be demolished for roadworks.

1. Summary of significant accounting policies (continued)

Asset	Measurement/Valuation policy	Depreciation policy
	each Local Government Area (LGA) adjusted by an "open spaces ratio" (OSR).	
Leasehold improvements	Depreciated historical cost.	Amortised over the period of the lease, or the useful life of the leasehold improvement, whichever is shorter.

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

Included in the value of land and buildings in service is an amount of $31.0 million (2016: $30.9 million) for both land and buildings on Crown land excluding depreciation on the buildings. As RMS effectively "controls" this Crown land, it has been included in RMS' Statement of Financial Position. Should such Crown land be transferred or disposed of, associated buildings are written off in the financial year the transfer or disposal takes place.

Land and Buildings Acquired for Future Roadworks comprise of untenanted land for roads (ULR), rental properties and surplus properties. The category is determined by the current use of the property. Rental and surplus properties are revalued at market value over a rolling three year cycle and annual indexation applied to ensure that carrying amounts do not differ materially from fair value at reporting date. In 2015-16, ULR was comprehensively revalued at market value by registered valuers.

Indexation is applied to land and buildings not revalued as part of the current year progressive revaluations to ensure their carrying amounts do not differ materially from their fair value as at 30 June 2017. For details refer to Note 12(a).

(iii) Infrastructure systems

Asset	Measurement/Valuation policy	Depreciation policy
Roads	Depreciated replacement cost	Depreciated over estimated useful life using straight-line method.
Earthworks – Not Depreciated		- Indefinite
Earthworks – Depreciated		- 50 years
Pavement Wearing Surface – Asphalt		- 16-25 years
Pavement Wearing Surface – Spray Sealed		- 6-11 years
Pavement Wearing Surface – Unsealed		- 4 years
Pavement Wearing Surface – Concrete		- 16-25 years
Pavement Base and Sub-Base – Asphalt		- 25-100 years
Pavement Base and Sub-Base – Spray Sealed		- 20-100 years
Pavement Base and Sub-Base – Unsealed		- 100 years
Pavement Base and Sub-Base – Concrete		- 55-100 years
Culverts & Drainage		- 50-100 years
Safety Barriers		- 40-100 years
Fences		- 40 years
Structures (Retaining Walls, Noise Walls and Gabions)		- 75 years
Other Assets (Footway, Vegetation, Landscaping, Kerbs and Gutters,		- 20 years

1. Summary of significant accounting policies (continued)

Asset	Measurement/Valuation policy	Depreciation policy
Guide Posts, Pavement Markings, Signposting, and Street Lighting		
Bridges Timber structure Concrete structures Steel structures Bridge Trusses (timber and steel) Heritage bridges Bridge size culverts/tunnels	Depreciated replacement cost	Depreciated over estimated useful life dependant on bridge type: - 60 years - 100 years - 100 years - 60 years - 200 years - 100 years
Traffic signals	Depreciated replacement cost	Depreciated over estimated useful life of 20 years.
Traffic Control Network Traffic systems Transport Management Centre Variable message signs	Depreciated replacement cost	Depreciated over estimated useful life of: - 5-20 years - 5-20 years - 30 years
Land under roads and within road reserves	The urban Average Rateable Value per hectare within each Local Government Area (LGA) is adjusted by an "open spaces ratio" to approximate fair value (unimproved and pre-subdivision land). The urban Average Rateable Value by LGA is derived from data provided by the Valuer-General.	No depreciation applied as land does not have limited useful life.
Sydney Harbour Tunnel Immersed tube Mechanical and electrical Pavement Earthworks	Depreciated replacement cost	Depreciated over estimate useful life depending on asset type: - 100 years - 35 years - 35 years - Indefinite life
Maritime roads	Depreciated replacement cost	Depreciated over estimated useful life of between 20 and 40 years.
Wharves and jetties	Depreciated replacement cost	Depreciated over estimated useful life of between 20 and 40 years.
Moorings and wetlands	Income approach	Indefinite lives.
Dredging assets	Replacement cost	Indefinite lives.
Seawall	Depreciated replacement cost	Depreciated over estimated useful life of between 25 and 40 years.
Navigational aids	Depreciated historical cost	Depreciated on the straight-line method over the estimated useful life between 5 and 20 years.

1. Summary of significant accounting policies (continued)

The determination of unit replacement rates for road, bridge and traffic control signal infrastructure valuations is carried out at least every five years by independent externally engaged qualified valuers, engineering contractors and employees of RMS.

These assets are recorded initially at construction cost and the average annual percentage increase in the Australian Bureau of Statistics' Roads and Bridge Cost Index (RBCI) (2016: Australian Bureau of Statistics' Roads and Bridge Cost Index (RBCI)) is applied each year until the following unit replacement review is undertaken.

Subsequent to the review, infrastructure is valued using the unit replacement rates, adjusted by the RBCI (2016: RBCI) applicable.

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

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

For details refer to Note 15(b).

(iv) Intangible assets

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

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

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

The useful lives of intangible assets are assessed to be finite and are carried at cost less any accumulated amortisation and impairment losses.

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.

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

1. Summary of significant accounting policies (continued)

(v) Private sector provided infrastructure (PSPI)

In respect of certain private sector provided infrastructure assets: M2 Motorway, M4 Service Centre, M5 Motorway, the Eastern Distributor, the Cross City Tunnel, the Westlink M7 Motorway and the Lane Cove Tunnel, RMS values each right to receive asset by reference to RMS' emerging share of the written down replacement cost of each asset apportioned using an annuity approach. Under this approach, the ultimate value of the right to receive the property is treated as the compound value of an annuity that accumulates as a series of equal annual receipts together with an amount representing notional compound interest.

RMS initially accounts for any up-front contribution to the private sector operator for the construction of the PSPI as prepayment, and recognises them progressively as expense over the concession period.

(vi) Cultural collection assets

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

(vii) Leased assets

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

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

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

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

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

(viii) Investments

Investments are initially recognised at fair value.

The reporting entity subsequently measures investments classified as "held for trading" or designated upon initial recognition "at fair value through profit or loss" at fair value. Financial assets are classified as "held for trading" if they are acquired for the purpose of selling in the near term. The NSW Treasury Corporation (TCorp) Hour-Glass Investment Facilities are designated at fair value through profit and loss as these financial assets are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy, and information about these assets is provided internally on that basis to the key management personnel.
The movement in the fair value of the NSW TCorp Hour-Glass Investment Facilities incorporates distributions received as well as unrealised movements in fair value and is reported in the line item investment revenue.

1. Summary of significant accounting policies (continued)

(m) Major inspection costs

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

(n) Restoration costs

The present value of the expected cost for the restoration or cost of dismantling of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

(o) Maintenance

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

(p) Inventories

Inventories are initially measured at cost. Cost is calculated using either the weighted average cost or “first in first out” method. Inventories consist mainly of raw materials and supplies used for the construction and maintenance of roads, bridges and traffic signals.

The cost of inventories acquired at no cost or for nominal consideration is the current replacement cost as at the date of acquisition. Current replacement cost is the cost the agency would incur to acquire the asset on the reporting date.

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

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(q) Capitalisation of expenditure

Expenditure (including personnel service costs) in respect of road development and construction, bridge and tunnel replacement and some road safety and traffic management are capitalised as infrastructure systems (refer to Note 2(a)).

(r) Non-current assets held for sale

RMS has certain non-current assets classified as held for sale, where their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met when the sale is highly probable, the asset is available for immediate sale in its present condition, and the sale of the asset is expected to be completed within one year from the date of classification. Non-current assets held for sale are recognised at the lower of carrying amount and fair value less costs of disposal. These assets are not depreciated while they are classified as held for sale. Refer to Note 14 for details.

(s) Other assets

Other assets including prepayments are recognised on a historic cost basis.

1. Summary of significant accounting policies (continued)

(t) Budgeted amounts

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the reporting period. Subsequent amendments to the original budget (e.g. adjustment for transfers of functions between entities as a result of Administrative Arrangement Orders) are not reflected in the budgeted amounts. Major variances between the original budgeted amounts and the actual amounts disclosed on the primary financial statements are explained in Note 26.

(u) Financial instruments

The following accounting policies were applied to accounting for financial instruments. Additional disclosures regarding carrying amount and risk management disclosures are presented in Note 19.

a. Financial assets

(i) Cash and cash equivalents

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

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

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

(ii) Loans and receivables and other financial assets

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. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

An allowance for impairment of receivables is established when there is objective evidence that the entity will not be able to collect all amounts due. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Bad debts are written off as incurred.

(iii) Impairment of financial assets

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

For financial assets carried at amortised cost, the amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment loss is recognised in the Statement of Comprehensive Income.

1. Summary of significant accounting policies (continued)

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

(iv) Derecognition of financial assets

A financial asset is derecognised in the following circumstances:

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

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

b. Financial liabilities

(i) Payables

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

(ii) Borrowings

Borrowings are recorded initially at fair value, net of transaction costs. Loans are not held for trading and are recognised at amortised cost using the effective interest method.

Amortised cost is the face value of the debt less unamortised premiums. The discount or premiums are treated as finance charges and amortised over the term of the debt.

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

(iii) Derecognition of financial liabilities

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

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

(iv) Financial guarantees

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

1. Summary of significant accounting policies (continued)

Financial guarantee contracts are recognised as a liability at the time the guarantee is issued and initially recognised at fair value plus, in the case of financial guarantees not at fair value through profit or loss, directly attributable transaction costs, where material. After initial recognition, the liability is measured at the higher of the amount determined in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised, less accumulated amortisation, where appropriate.

RMS carries out minor works contracts for entities outside of the NSW public sector. In order to tender for the contracts and remain on an equal footing, RMS is required to lodge a security deposit in the form of bank guarantee. Under the *Public Authorities and (Financial Arrangements) Act 1987*, RMS has an approved limit from TCorp of $3.0 million which will expire on 30 June 2018.

RMS has reviewed its financial guarantees and determined that there is no material liability to be recognised for financial guarantee contracts as at 30 June 2017 and as at 30 June 2016. Refer to note 25 regarding disclosures on contingent liabilities.

(v) Equity transfers

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

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

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

(w) Grants and subsidies

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

(x) Retained taxes, fees and fines

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

(y) Comparative information

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is presented in respect of the previous period for all amounts reported in the financial statements.
As a result of the dissolution of WDA on 30 September 2015, RMS' Statement of Comprehensive Income comparatives for the year ended 30 June 2016 includes the revenues and expenses of WDA for the 3 months period ended 30 September 2015.

1. Summary of significant accounting policies (continued)

(z) Equity and reserves

(i) Asset revaluation reserve

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

(ii) Accumulated Funds

The category of 'Accumulated Funds' includes retained funds.

(aa) Critical accounting estimates, judgements and assumptions

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

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

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

Property, plant and equipment	Note 1(l),note 12 and note 15
Private sector provided infrastructure	Note 1(l) and note 13(a)
Non-current assets held for sale	Note 1(r) and note 14
Provisions	Note 1(g) and note 20

2. Expenses excluding losses

(a) Employee related and personnel services expenses

	2017 $'000	2016 $'000
Employee related expenses comprise the following specific items:		
Skilled hire contractors	31,572	22,067
Employee related expenses	**31,572**	**22,067**
Personnel services expenses comprise the following specific items:		
Salaries and wages (including annual leave)	350,832	369,948
Superannuation - defined benefit plans	7,180	13,746
Superannuation - defined contribution plans	27,541	32,524
Long service leave	4,633	25,625
Payroll tax and fringe benefits tax	22,984	30,296
Redundancy payments	14,464	23,144
Workers' compensation insurance	7,666	3,459
Personnel services expenses	**435,300**	**498,742**
	466,872	**520,809**
Allocations of employee related/personnel service costs to programs:		
- Capitalised to infrastructure	274,098	247,389
- Operating programs (including maintenance costs)	466,872	520,809
	740,970	**768,198**

Included in the above are personnel services expenses of $127.4 million (2016: $111.3 million) related to maintenance.

2. Expenses excluding losses (continued)

(b) Other operating expenses

	2017 $'000	2016 $'000
Auditor's remuneration - audit of financial statements	765	787
Advertising	5,026	2,190
Contract payments	84,027	119,232
Data processing	60,275	57,559
Contingent rent	2,422	2,138
Fleet hire and lease charges	18,360	24,513
Lease and property expenses	23,891	40,340
M5 Cashback refund	108,848	99,473
Office expenses	33,243	35,299
Payments to councils and external bodies	20,639	26,762
Special number plates concession fees	26,079	24,304
Sydney Harbour Tunnel operating fees	31,924	30,999
Travel, insurance and legal expenses	35,608	34,528
Consultants	1,621	-
Professional fees	113,604	118,299
Other	39,237	48,739
Share services charges	73,649	43,126
Other operating expenses	**679,218**	**708,288**

(c) Maintenance

Major reconstruction costs for road segments on State roads are capitalised and as such not charged against maintenance expenditure. RMS capitalised $601.9 million (2016: $580.0 million) of such works during the year.

RMS expensed $78.1 million in the year ended 30 June 2017 (2016: $43.8 million) on natural disaster restoration works from State funds, and $298.8 million in the year ended 30 June 2017 (2016: $271.7 million) on block grants and other maintenance grants to councils for regional and local roads.

	Notes	2017 $'000	2016 $'000
Maintenance expense in Statement of comprehensive income		474,545	459,602
Maintenance related to personnel services expenses		127,363	111,313
Total maintenance expense including employee related		**601,908**	**570,915**
Maintenance grants to councils		290,807	290,488
Capitalised maintenance		601,945	580,041
Total maintenance program		**1,494,660**	**1,441,444**

2. Expenses excluding losses (continued)

(d) Depreciation and amortisation

	Notes	2017 $'000	2016 $'000
Depreciation of operational and property assets		34,933	35,351
Depreciation of infrastructure assets		1,569,172	1,531,328
Depreciation of property, plant and equipment	12	**1,604,105**	**1,566,679**
Amortisation of intangible assets	13(b)	34,846	37,433
Depreciation and amortisation		**1,638,951**	**1,604,112**

(e) Grants and subsidies

	Notes	2017 $'000	2016 $'000
Grants to councils		346,399	290,488
Roads and bridges transferred to councils	12(c)	40,678	90,427
Other grants and subsidies		10,814	12,592
Contribution to National Heavy Vehicle Regulator		42,700	37,886
Grants and subsidies		**440,591**	**431,393**

(f) Finance costs

	2017 $'000	2016 $'000
Interest expense from financial liabilities not at fair value through profit and loss	-	90
Finance lease interest charges	29,168	32,430
M2 promissory notes	6,719	-
Other	285	2,332
Finance costs	**36,172**	**34,852**

3. Revenue

(a) Sale of goods and services

	2017 $'000	2016 $'000
Sale of goods		
Number plates	140,445	132,668
Publications	9,499	8,324
Rendering of services		
Advertising	16,281	22,232
Boat licenses	24,178	24,274
Boat registrations	26,541	25,679
Channel fees	8,580	7,716
Fees for services	119,986	67,021
Heavy vehicle permit fees	711	1,483
Miscellaneous services	18,669	13,913
Moorings	9,961	8,858
General maritime revenue	2,950	1,885
Rental income	55,350	56,461
Third party insurance data access charges	3,638	4,133
Toll revenue (Sydney Harbour Bridge)	109,330	109,531
Toll revenue (Sydney Harbour Tunnel)	43,373	43,174
Works and services	41,855	96,467
Sale of goods and services	**631,347**	**623,819**

(b) Investment revenue

	2017 $'000	2016 $'000
Interest	15,575	14,989
Amortisation of zero interest Sydney Harbour Tunnel loan	9,862	9,259
TCorp Investment Facilities Designated at Fair Value Through Profit and Loss	7,339	1,598
M2 and Eastern Distributor promissory notes	5,459	5,125
Investment revenue	**38,235**	**30,971**

(c) Retained taxes, fees and fines

	2017 $'000	2016 $'000
Sanction fees payable under the Fines Act	14,160	15,131
National Heavy Vehicle Regulator charges	56,500	52,029
Retained taxes, fees and fines	**70,660**	**67,160**

(d) Grants from Transport for NSW (TfNSW)

	2017 $'000	2016 $'000
Operating grant		
Grant to fund general operations including maintenance	1,282,828	1,349,095
Capital grant		
Grants to fund investment in infrastructure network development	4,264,278	4,410,884
Grants from Transport for NSW (TfNSW)	**5,547,106**	**5,759,979**

Of the $4,264.3 million capital grant, $1,608.6 million relates to federal funding (2016: $1,415.5 million of $4,410.8 million). The equivalent figure for the federal recurrent grant is $168.3 million (2016: $160.3 million). Federal funding is appropriated to TfNSW through NSW Treasury.

(e) Other grants and contributions

	2017 $'000	2016 $'000
NSW Government agencies		
- TfNSW	8,066	13,743
- Other	87,215	129,071
Local government	2,229	20,775
Other government agencies	10,011	6,243
Private firms and individuals	9,036	9,808
Other grants and contributions	**116,557**	**179,640**

Contributions received during the year ended 30 June 2017 were recognised as revenue during the period and were expended in that period with no balance of those funds available at 30 June 2017.

(f) Other income

	Notes	2017 $'000	2016 $'000
Value of emerging interest of Private Sector Provided Infrastructure (PSPI)			
- M2 Motorway/M2 Widening	13(a)	38,285	36,366
- M4 Motorway Service Centre	13(a)	1,603	1,471
- M5 South-West Motorway	13(a)	41,839	39,427
- Eastern Distributor	13(a)	20,898	19,612
- Cross City Tunnel	13(a)	29,230	27,712
- Westlink M7 Motorway	13(a)	63,162	59,806
- Lane Cove Tunnel	13(a)	38,395	36,210
Amortisation of deferred revenue on PSPI projects		19,030	19,030
Fuel tax credits		515	857
Principal arranged insurance refund		1,530	1,784
Property revenue		2,822	3,817
Recognition of infrastructure assets	12(c)	34,014	37,896
Other boating fees		1,698	2,399
Resources received free of charge	31	22,980	48,014
Other (including professional services revenue)		20,379	7,614
Other income		**336,380**	**342,015**

4. Gain/(loss) on disposal

	Notes	2017 $'000	2016 $'000
Net gain/(loss) on sale of property, plant and equipment			
Proceeds from sale		1,027	2,979
Carrying amount of assets sold	12	(7,760)	(12,247)
Net gain/(loss) on sale of property, plant and equipment		**(6,733)**	**(9,268)**
Net gain/(loss) on disposal of intangible assets			
Carrying amount of assets disposed	13(b)	(271)	(1,720)
Net gain/(loss) on disposal of intangible assets		**(271)**	**(1,720)**
Net gain/(loss) on sale of non-current assets held for sale			
Proceeds from sales		361,541	42,955
Carrying amount of assets sold	14	(226,597)	(38,987)
Net gain/(loss) on sale of non-current assets held for sale	14	**134,944**	**3,968**
Net gain/(loss) on disposal		**127,940**	**(7,020)**

5. Other gains/(losses)

	Notes	2017 $'000	2016 $'000
Allowance for impairment of receivables	9	(3,552)	(2,424)
Carrying amount of Infrastructure assets written off	6	(262,709)	(131,294)
Net revaluation increment/(decrement) recognised in net result	6	(367,352)	43,949
Other		-	(358)
Other gains/(losses)		**(633,613)**	**(90,127)**

In regards to infrastructure assets written off, in cases where RMS constructs a new infrastructure asset that substantially replaces an existing asset (rather than performing work to maintain the existing asset), the capitalised value of the original asset is written off and the new asset is included within the additions to infrastructure assets (Note 12(c)).

6. Write-off/down of land & buildings and infrastructure assets

	Notes	2017 $'000	2016 $'000
Carrying amount of Infrastructure assets written off	5 and 12(c)	**262,709**	**131,294**

The following infrastructure assets were written off in the periods ended 30 June 2017 and 30 June 2016:

	Replacement costs $'000 2017	Accumulated depreciation $'000 2017	Carrying value $'000 2017	Replacement costs $'000 2016	Accumulated depreciation $'000 2016	Carrying value $'000 2016
Roads	322,721	(203,942)	118,779	197,399	(86,225)	111,174
Bridges	9,941	(5,232)	4,709	31,133	(12,616)	18,517
Maritime assets	3,410	(2,293)	1,117	1,600	(676)	924
Work in progress	134,654	-	134,654	159	-	159
Traffic signals network	205	(129)	76	83	(47)	36
Traffic controls network	16,105	(12,731)	3,374	3,153	(2,669)	484
Infrastructure assets written off	**487,036**	**(224,327)**	**262,709**	**233,527**	**(102,233)**	**131,294**

	Notes	2017 $'000	2016 $'000
Net revaluation increment/(decrement) recognised in net result	5	**(367,352)**	**43,949**

The following land & buildings and infrastructure assets were written down and/ or written back in the year ended 30 June 2017 and 30 June 2016:

	Notes	Carrying value 2017 $'000	Carrying value 2016 $'000
Traffic signals network		733	1,982
Land under roads		-	197,059
Infrastructure systems	12(c)	**733**	**199,041**
Land and buildings acquired for future roadworks		(368,085)	(185,031)
Administrative buildings		-	17,530
Leasehold improvements		-	(306)
Land & buildings	12(a)	**(368,085)**	**(167,807)**
Write back/(down) of remediation provision		-	12,715
Land & buildings and infrastructure assets (written down)/written back		**(367,352)**	**43,949**

7. Service groups of Roads and Maritime Services

(a) Asset Maintenance

This service group covers work performed on physical assets to address defects and deterioration in their condition, and replacement at the end of their useful life to ensure operational capacity.

(b) Services and Operations

This service group covers work performed in operating and utilising the transport network and fleet to provide the required services to customers.

(c) Growth and Improvement

This service group covers the expansion of the asset portfolio to meet changing improved standards and/or enhanced system capability.

8. Cash and cash equivalents

	2017 $'000	2016 $'000
RMS operating account**	614,087	483,240
Remitting account, cash in transit and cash on hand*	27,158	28,420
On call deposits**	55,185	54,245
Other**	52,222	52,038
Cash and cash equivalents	**748,652**	**617,943**

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

	2017 $'000	2016 $'000
Cash and cash equivalents (per statement of financial position)	748,652	617,943
Closing cash and cash equivalents (per statement of cash flows)	**748,652**	**617,943**

*The remitting account balance above does not include cash of $33.7 million (2016: $30.8 million) relating to administered revenue held by RMS as at 30 June 2017 (refer to Note 29).
** The cash account balances include restricted cash (refer to Note 16).

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

Details regarding credit risk, liquidity risk and market risk arising from financial instruments are disclosed in note 19.

9. Receivables

	Notes	2017 $'000	2016 $'000
(i) Current receivables			
Sale of goods and services		32,919	45,389
Other receivables		105,239	34,998
Less: Allowance for impairment*		(10,010)	(6,442)
Receivables		**128,148**	**73,945**
Goods and services tax receivable		121,908	106,977
Goods and Services Tax		**121,908**	**106,977**
Prepayments		132,568	62,474
Property and other debtors		20,864	22,031
Other		**153,432**	**84,505**
Accrued interest		2,578	1,468
Property sales		93,024	13,835
Accrued other income		13,507	21,148
Accrued Income		**109,109**	**36,451**
Current receivables		**512,597**	**301,878**
Movement in the allowance for impairment:			
Balance at 1 July		6,442	9,694
Increase in allowance recognised in Statement of Comprehensive Income	5	3,552	2,424
Amounts written (off)/back during the period		16	(5,676)
Balance at 30 June		**10,010**	**6,442**
(ii) Non-current receivables			
Prepayments		238,101	27,598
Property Sales		158,558	-
Non-current receivables		**396,659**	**27,598**

*The allowance for impairment primarily relates to amounts owing as a result of commercial transactions (e.g. debts raised for performance of services or sale of goods) and tenants who vacate rental premises without notice whilst in arrears.

Details regarding credit risk, liquidity risk and market risk arising from financial instruments are disclosed in note 19.

10. Other financial assets

	Notes	2017 $'000	2016 $'000
Loan to Sydney Harbour Tunnel Company		154,987	145,125
Lane Cove Tunnel concession payments recoverable		183,072	173,970
M2 and Eastern distributor operators Promissory notes	13(a)	52,473	53,734
Non-current other financial assets		**390,532**	**372,829**

Details regarding credit risk, liquidity risk and market risk arising from financial instruments are disclosed in note 19.

11. Financial assets at fair value

	2017 $'000	2016 $'000
TCorp Hour-Glass Investment Facilities - long-term growth facility	31,920	28,621
TCorp Hour-Glass Investment Facilities - medium-term growth facility	72,937	68,897
Financial assets at fair value through profit or loss	**104,857**	**97,518**

Details regarding credit risk, liquidity risk and market risk arising from financial instruments are disclosed in note 19.

12. Property, plant and equipment

	Land and buildings $ '000	Plant and equipment $ '000	Infrastructure systems $ '000	TOTAL $ '000
As at 1 July 2016 - fair value				
Gross carrying amount	3,568,643	269,061	110,787,021	114,624,725
Accumulated depreciation and impairment	(104,747)	(159,770)	(34,826,268)	(35,090,785)
Net carrying amount	**3,463,896**	**109,291**	**75,960,753**	**79,533,940**
As at 30 June 2017 - fair value				
Gross carrying amount	3,757,777	256,352	114,805,197	118,819,326
Accumulated depreciation and impairment	(127,525)	(145,963)	(36,002,151)	(36,275,639)
Net carrying amount	**3,630,252**	**110,389**	**78,803,046**	**82,543,687**

As at 1 July 2015 - fair value				
Gross carrying amount	3,020,561	267,305	107,557,146	110,845,012
Accumulated depreciation and impairment	(93,635)	(157,375)	(33,683,952)	(33,934,962)
Net carrying amount	**2,926,926**	**109,930**	**73,873,194**	**76,910,050**
At 30 June 2016 - fair value				
Gross carrying amount	3,568,643	269,061	110,787,021	114,624,725
Accumulated depreciation and impairment	(104,747)	(159,770)	(34,826,268)	(35,090,785)
Net carrying amount	**3,463,896**	**109,291**	**75,960,753**	**79,533,940**

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 2017
Reconciliation

	Notes	Land and buildings $ '000	Plant and equipment $ '000	Infrastructure systems $ '000	TOTAL $ '000
Net carrying amount at start of year		3,463,896	109,291	75,960,753	79,533,940
Additions		491,593	8,750	3,813,028	4,313,371
Assets recognised for the first time	3(f)	-	-	34,014	34,014
Net revaluation increments less revaluation decrements recognised in equity		44,082	-	885,456	929,538
Net revaluation increments less revaluation decrements recognised in net result	6	(368,085)	-	733	(367,352)
Disposals	4	(154)	(7,606)	-	(7,760)
Asset write-off	6	-	-	(262,709)	(262,709)
Transfer (to)/from non-current assets held for sale		2,303	-	-	2,303
Reclassification between PPE classes		355	23,486	(23,841)	-
Reclassification between land and building classes		-	-	-	-
Transfer to infrastructure		(30,523)	-	30,523	-
Reclassifications (to)/from intangible assets	13(b)	-	(4,879)	(25,930)	(30,809)
Depreciation expense	2(d)	(16,280)	(18,653)	(1,569,172)	(1,604,105)
Assets transferred in/(out) through equity	23	43,065	-	-	43,065
Transfer to councils	2(e)	-	-	(40,678)	(40,678)
Transfer from councils		-	-	869	869
Net carrying amount at year end		**3,630,252**	**110,389**	**78,803,046**	**82,543,687**

12. Property, plant and equipment (continued)

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

Year ended 30 June 2016
Reconciliation

	Notes	Land and buildings $ '000	Plant and equipment $ '000	Infrastructure systems $ '000	TOTAL $ '000
Net carrying amount at start of year		2,926,926	109,930	73,873,194	76,910,050
Additions		809,082	36,081	3,697,280	4,542,443
Assets recognised for the first time	3(f)	-	-	37,896	37,896
Net revaluation increments less revaluation decrements recognised in equity		181,146	-	(103,912)	77,234
Net revaluation increments less revaluation decrements recognised in net result	6	(167,807)	-	199,041	31,234
Disposals		(7,728)	(4,519)	(131,135)	(143,382)
Asset write-off		-	-	(159)	(159)
Transfer (to)/from non-current assets held for sale		(267,396)	-	-	(267,396)
Reclassification between PPE classes		24,109	(16,022)	(8,087)	-
Reclassification between land and building classes		-	-	-	-
Transfer to infrastructure		(17,847)	-	17,847	-
Reclassifications (to)/from intangible assets	13(b)	-	2,676	-	2,676
Depreciation expense	2(d)	(16,496)	(18,855)	(1,531,328)	(1,566,679)
Assets transferred in/(out) through equity	23	(93)	-	-	(93)
Transfer to councils	2(e)	-	-	(90,427)	(90,427)
Transfer from councils		-	-	543	543
Net carrying amount at end of year		**3,463,896**	**109,291**	**75,960,753**	**79,533,940**

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 15.

12. Property, plant and equipment (continued)

(a) Land and buildings

Year ended 30 June 2017

Reconciliation

	Notes	Land*	Administrative Buildings*	Land and buildings acquired for future roadworks**	Leasehold improvements	TOTAL
		$ '000	$ '000	$ '000	$ '000	$ '000
Net carrying amount at start of year		234,047	166,701	3,033,597	29,551	3,463,896
Additions		-	15,670	472,899	3,024	491,593
Net revaluation increments less revaluation decrements recognised in equity		30,869	13,213	-	-	44,082
Net revaluation increments less revaluation decrements recognised in net result	6	-	-	(368,085)	-	(368,085)
Disposals		-	(3)	-	(151)	(154)
Transfer (to)/from non-current assets held for sale		(6,098)	-	8,401	-	2,303
Reclassification between PPE classes		-	(1)	(1)	357	355
Reclassification between land and building classes		36,752	(17,134)	(25,654)	6,036	-
Transfer to infrastructure	12(c)	-	7,529	(38,052)	-	(30,523)
Depreciation expense		-	(8,983)	-	(7,297)	(16,280)
Assets transferred in/(out) through equity	23	(160)	(2,212)	45,437	-	43,065
Net carrying amount at end of year		**295,410**	**174,780**	**3,128,542**	**31,520**	**3,630,252**

12. Property, plant and equipment (continued)

(a) Land and buildings (cont'd)

Year ended 30 June 2016
Reconciliation

	Notes	Land*	Administrative buildings*	Land and buildings acquired for future roadworks**	Leasehold improvements	TOTAL
		$ '000	$ '000	$ '000	$ '000	$ '000
Net carrying amount at start of year		267,939	122,986	2,512,743	23,258	2,926,926
Additions		-	34,649	772,077	2,356	809,082
Net revaluation increments less revaluation decrements recognised in equity		177,786	3,360	-	-	181,146
Net revaluation increments less revaluation decrements recognised in net result	6	-	17,530	(185,031)	(306)	(167,807)
Disposals		-	(2,911)	-	(4,817)	(7,728)
Transfer (to)/from non-current assets held for sale		(228,512)	-	(38,884)	-	(267,396)
Reclassification between PPE classes		-	2,411	6,975	14,723	24,109
Reclassification between land and building classes		16,834	(4,156)	(16,343)	3,665	-
Transfer to infrastructure	12(c)	-	-	(17,847)	-	(17,847)
Depreciation expense		-	(7,168)	-	(9,328)	(16,496)
Assets transferred in/(out) through equity	23	-	-	(93)	-	(93)
Net carrying amount at end of year		**234,047**	**166,701**	**3,033,597**	**29,551**	**3,463,896**

* Administrative Land and Buildings were revalued during 2016-17 resulting in a net asset revaluation increment of $44.1 million (2016: $198.7 million), recorded against asset revaluation reserve (2016: $181.1 million). None of the current year revaluation increment was offset against prior year revaluation decrement recognised in the net result (2016: $17.5m).

** In 2016-17, Land Acquired for Future Road Works (LAFFRW) was revalued resulting in an increase in the asset revaluation reserve of approximately $179.8 million (2016: $296.1 million). This increase has been offset with revaluation decrements arising from the transfers of LAFFRW to infrastructure. Total net revaluation decrement of $368.1 million (2016: $185.0 million decrement) has been recognised in the net result.

Category of land and building acquired for future road works

	Aggregate Carrying amount 2017 $'000	Aggregate Carrying amount 2016 $'000
Revalued as part of current progressive revaluation and carried at fair value (market value) as at the end of the financial year less, where applicable, any subsequent accumulated depreciation:		
Surplus properties	638,349	531,425
Rentable properties	815,428	676,303
Untenanted land for roads	1,674,765	1,825,869
Total land and buildings acquired for future roadworks	**3,128,542**	**3,033,597**

12. Property, plant and equipment (continued)

(b) Plant and equipment

Year ended 30 June 2017
Reconciliation

	Notes	Plant equipment and motor vehicles $ '000	Computer hardware $ '000	Electronic office equipment $ '000	TOTAL $ '000
Net carrying amount at start of year		86,557	21,553	1,181	109,291
Additions		5,627	3,111	12	8,750
Disposals		(3,964)	(3,622)	(20)	(7,606)
Reclassification between PPE classes		24,637	(1,151)	-	23,486
Reclassifications (to)/from intangible assets	13(b)	494	(5,373)	-	(4,879)
Depreciation expense		(12,305)	(6,196)	(152)	(18,653)
Net carrying amount at end of year		**101,046**	**8,322**	**1,021**	**110,389**

Year ended 30 June 2016
Reconciliation

	Notes	Plant equipment and motor vehicles $ '000	Computer hardware $ '000	Electronic office equipment $ '000	TOTAL $ '000
Net carrying amount at start of year		85,655	22,743	1,532	109,930
Additions		27,110	8,804	167	36,081
Disposals		(4,369)	(138)	(12)	(4,519)
Reclassification between PPE classes		(10,464)	(5,140)	(418)	(16,022)
Reclassifications (to)/from intangible assets	13(b)	-	2,676	-	2,676
Depreciation expense		(11,375)	(7,392)	(88)	(18,855)
Net carrying amount at end of year		**86,557**	**21,553**	**1,181**	**109,291**

12. Property, plant and equipment (continued)

(c) Infrastructure systems

Year ended 30 June 2017

Reconciliation

	Notes	Roads	Land under roads	Bridges	Sydney Harbour Tunnel	Traffic signals network	Traffic controls network	Maritime assets	Major works in progress	TOTAL
		$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000
Net carrying amount at start of year		52,974,065	1,957,927	14,965,069	952,578	137,034	153,833	552,841	4,267,406	75,960,753
Additions		687,560	-	210,199	-	4,200	29,993	-	2,881,076	3,813,028
Assets recognised for the first time	3(f)	21,420	-	12,594	-	-	-	-	-	34,014
Net revaluation increments less revaluation decrements recognised in equity		588,732	180,406	94,375	5,364	-	807	15,772	-	885,456
Net revaluation increments less revaluation decrements recognised in net result	6	-	-	-	-	733	-	-	-	733
Asset write-off		(118,779)	-	(4,709)	-	(76)	(3,374)	(1,117)	(134,654)	(262,709)
Reclassification between PPE classes		920,736	-	281,485	-	-	-	16,760	(1,242,822)	(23,841)
Transfer from land and buildings	12(a)	-	38,052	-	-	-	-	68	(7,597)	30,523
Reclassifications (to)/from intangible assets	13(b)	-	-	-	-	-	-	-	(25,930)	(25,930)
Depreciation expense	2(d)	(1,304,913)	-	(201,224)	(15,258)	(21,391)	(15,010)	(11,376)	-	(1,569,172)
Transfer to councils	2(e)	(34,308)	(147)	(6,223)	-	-	-	-	-	(40,678)
Transfer from councils		846	23	-	-	-	-	-	-	869
Net carrying amount at end of year		**53,735,359**	**2,176,261**	**15,351,566**	**942,684**	**120,500**	**166,249**	**572,948**	**5,737,479**	**78,803,046**

RMS has a Finance Lease agreement with Sydney Harbour Tunnel Company Limited (SHTC) in regards to the Sydney Harbour Tunnel. The agreement transfers ownership of the tunnel to RMS at the end of the lease term in 2022 (see Note 22(c) for further details). At 30 June 2017 the net carrying amount of this leased infrastructure assets was $942.7 million (2016: $952.6 million).

Interim revaluations have been performed for all infrastructure assets.

Year ended 30 June 2016
Reconciliation

	Notes	Roads $ '000	Land under roads $ '000	Bridges $ '000	Sydney Harbour Tunnel $ '000	Traffic signals network $ '000	Traffic controls network $ '000	Maritime assets $ '000	Major works in progress $ '000	TOTAL $ '000
Net carrying amount at start of year		52,222,348	1,655,019	13,853,233	957,617	152,395	158,933	550,089	4,323,560	73,873,194
Additions		837,401	-	406,782	-	4,043	8,290	-	2,440,764	3,697,280
Assets recognised for the first time	3(f)	33,994	11	3,891	-	-	-	-	-	37,896
Net revaluation increments less revaluation decrements recognised in equity		(326,787)	88,217	114,961	10,077	-	959	8,661	-	(103,912)
Net revaluation increments less revaluation decrements recognised in net result	6	-	197,059	-	-	1,982	-	-	-	199,041
Disposals		(111,174)	-	(18,517)	-	(36)	(484)	(924)	-	(131,135)
Asset write-off		-	-	-	-	-	-	-	(159)	(159)
Reclassification between PPE classes		1,671,077	-	811,751	-	-	-	5,844	(2,496,759)	(8,087)
Transfer from land and buildings	12(a)	-	17,847	-	-	-	-	-	-	17,847
Depreciation expense	2(d)	(1,274,958)	-	(195,210)	(15,116)	(21,350)	(13,865)	(10,829)	-	(1,531,328)
Transfer to councils	2(e)	(77,836)	(226)	(12,365)	-	-	-	-	-	(90,427)
Transfer from councils		-	-	543	-	-	-	-	-	543
Net carrying amount at end of year		**52,974,065**	**1,957,927**	**14,965,069**	**952,578**	**137,034**	**153,833**	**552,841**	**4,267,406**	**75,960,753**

12. Property, plant and equipment (continued)

A full valuation of the road infrastructure assets was carried out by an independent valuer on 30 June 2013. All road infrastructure assets are stated at fair value using the depreciated replacement cost (DRC) approach.
The methods and significant assumptions applied in estimating the 'Roads' asset class fair values include:

Valuation methodologies

Primary Approach – applied to culverts, pavements, earthworks, safety barriers, and fences. This approach involved the following steps:

- Obtaining inventory details for components by Road Asset Management System (RAMS) segment/unique ID
- Applying unit rates to the inventory listings
- Estimating replacement costs based on quantity/area/length
- Estimating normal useful lives
- Applying depreciation (straight line) based on age/life analysis to estimate fair value

Secondary Approach – applied to structures and "other" corridor assets categories. This approach involved the following steps:

- Obtaining percentage breakdown of components from RMS's Project Management Office (PMO)
- Converting PMO percentages to "known assets" percentages
- Estimating replacement costs based on replacement cost of "known assets"
- Estimating normal useful lives
- Applying depreciation (straight line) based on age/life analysis to estimate fair value

Hybrid Approach – used for longitudinal and subsoil drainage assets, involving a combination of the Primary and Secondary Approaches.

Earthworks assumptions

- Sub-categories for Earthworks have been identified as 'Region', 'Road rank', and 'Terrain'
- RMS's PMO unit rates were only available by region and were therefore adjusted to include road rank and terrain, using assumed typical earthwork depths, to capture the cost variations for all stereotypes

Pavement assumptions

- Base / Sub-Base asset ages have been based on the road construction date
- Wearing Surface asset ages have been based on the newer of resurfacing or rehabilitation dates
- Remaining life extensions of 7 years and 2 years respectively have been applied to Base / Sub-Base and Wearing Surface assets past their useful lives. These assumptions are based on RMS's projected pavement rebuilding/resurfacing estimates
- Sub-categories for Pavements have been identified as 'Pavement category', 'Region', and 'Road rank'

Culvert and Drainage assumptions

- Ages for Culverts have been calculated using the road construction date
- A remaining life extension of 5 years has been applied to all Culverts that were past their useful life
- Stereotypes for Culverts have been identified as 'Culvert type', 'Region', and 'Pipe diameter / box width'
- Longitudinal Drainage assumed to be located in urban terrains in Sydney region only (Hunter region captured in Culverts inventory), and applied to 50 percent of segment lengths only
- 375mm pipe culvert unit rate was deemed most appropriate for Longitudinal Drainage
- Subsoil Drainage primary types include edge and trench drains, and only concrete pavement types assumed to include edge drains

Safety Barrier and Fence assumptions

- Sub-categories have been identified as 'Barrier type', and 'Region'
- Age calculations for depreciation were determined using road segment construction dates

Due to the specialised nature of RMS' 'Roads' asset class, and the fact that RMS' road assets are not sold or traded, the fair value for this asset class cannot be determined with reference to observable prices in an active market or recent market transactions on arm's length terms. Instead, the fair value has been determined using the valuation techniques outlined above, primarily with reference to current tendered contract rates produced by the RMS Project Management Office.

13. Non-current assets - intangibles assets and other

(a) Private sector provided infrastructure

		Notes	2017 $'000	2016 $'000
M2 Motorway/M2 Widening	Carrying amount at start of year		196,823	160,457
	Annual increment - emerging right to receive	3(f)	38,285	36,366
	Carrying amount at end of year		**235,108**	**196,823**
M4 Motorway Service Centre	Carrying amount at start of year		10,215	8,744
	Annual increment - emerging right to receive	3(f)	1,603	1,471
	Carrying amount at end of year		**11,818**	**10,215**
M5 South-West Motorway	Carrying amount at start of year		312,127	272,700
	Annual increment - emerging right to receive	3(f)	41,839	39,427
	Carrying amount at end of year		**353,966**	**312,127**
Eastern Distributor	Carrying amount at start of year		146,110	126,498
	Annual increment - emerging right to receive	3(f)	20,898	19,612
	Carrying amount at end of year		**167,008**	**146,110**
Cross City Tunnel	Carrying amount at start of year		219,207	191,495
	Annual increment - emerging right to receive	3(f)	29,230	27,712
	Carrying amount at end of year		**248,437**	**219,207**
Westlink M7 Motorway	Carrying amount at start of year		445,693	385,887
	Annual increment - emerging right to receive	3(f)	63,162	59,806
	Carrying amount at end of year		**508,855**	**445,693**
Lane Cove Tunnel	Carrying amount at start of year		271,321	235,111
	Annual increment - emerging right to receive	3(f)	38,395	36,210
	Carrying amount at end of year		**309,716**	**271,321**
	Total carrying amount at the end of period		**1,834,908**	**1,601,496**
Total	**Carrying amount at start of year**		**1,601,496**	**1,380,892**
	Annual increment - emerging right to receive		**233,412**	**220,604**
	Carrying amount at end of year		**1,834,908**	**1,601,496**

M2 Motorway

RMS entered into a contract with the concession holder to design, construct, operate and maintain the M2 Motorway. Under the terms of the Project Deed, ownership of the M2 Motorway will revert to RMS on the earlier of the achievement of: specified financial returns outlined in the Deed; or 45 years from the M2 commencement date of 26 May 1997.

To facilitate these works, RMS leased land detailed in the M2 Motorway Project Deed for the term of the Agreement. Until the project realises a real after tax internal rate of return of 12.25 per cent per annum, rent is payable, at the Lessee's discretion, in cash or by promissory note. On achievement of the required rate, the rent is payable in cash. Under the terms of the lease, RMS must not present any of the promissory notes for payment until the earlier of the end of the term of Agreement or the achievement of the required rate of return. The term of the Agreement ends on the 45th anniversary of the M2 commencement date (i.e. 26 May 2042) subject to the provisions of the M2 Motorway Project Deed.

No payments have been made for rents on the leases for the year ended 30 June 2017 (2016: No payments made). RMS, as at 30 June 2017, has received promissory notes for rent on the above leases totalling $192.6 million (2016: $181.1 million). The value of these promissory notes as at 30 June 2017 is $33.7 million (2016: $36.8 million) (refer to note 10).

RMS has, from the date of completion of the M2 Motorway, valued the asset by reference to RMS' emerging share of the estimated depreciated replacement cost of the asset at date of hand back over the concession period calculated using the

effective interest rate method (refer note 1(f)(vi)). Based on the historical rental returns, the conservative period of 45 years has been used to calculate RMS' emerging share of the asset.

The NSW Government announced the Hills M2 Upgrade on 26 October 2010. Construction of the upgrade was substantially completed in August 2013. The initial construction cost was $550 million. RMS has recognised an emerging asset for the M2 upgrade until the end of the existing concession period. In 2014-15 the concession period was extended for a further period of four years on the completion of the road widening.

The total carrying value of the M2 Motorway, including the M2 Upgrade, is $235.1 million as at 30 June 2017 (2016: $196.8 million).

An agreement was reached on 31 January 2015 for further integration works to be done to the M2, to connect it with the new NorthConnex motorway. On completion of this work, the concession term will be extended by a further two years to 2048.

M4 Motorway Service Centre

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

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

RMS values the Service Centre asset by reference to RMS' emerging share of the depreciated replacement cost of the asset over the period of the concession period calculated using the effective interest rate method (refer note 1(f)(vi)). The total carrying value of the M4 Motorway Service Centre is $11.8 million as at 30 June 2017 (2016: $10.2 million).

13. Non-current assets - intangibles assets and other (continued)

M5 South-West Motorway

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

In consideration for the concession holder undertaking construction of an additional interchange at Moorebank (M5 Improvements), the initial concession period has been subsequently extended to 22 August 2023.

The M5 South-West Motorway Call Option Deed provides that if, after at least 25 years from the M5 Western Link commencement date of 26 June 1994, RMS determines that the expected financial return has been achieved, RMS has the right to purchase either the business from the concession holder or the shares in the concession holder. The exercise price under the M5 Call Option Deed will be based on open market valuation of the business or shares.

In November 2009, the NSW Government announced a proposal to expand the M5 corridor. The M5 West widening would expand the South West Motorway generally from two to three lanes in each direction to reduce travel time for motorists using the motorway and surrounding roads. Major construction started in August 2012 and was completed in December 2014. The end of the concession period has been extended by 3 years and 3 months from 22 August 2023 to 10 December 2026 upon completion of the widening work. RMS has recognised an additional emerging asset for the M5 expansion to the end of the concession period, i.e. to 10 December 2026.

The total carrying value of the M5 South-West Motorway, including the M5 widening, is $354.0 million as at 30 June 2017 (2016: $312.1 million).

Eastern Distributor

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

In consideration of RMS granting to the concession holder the right to levy and retain tolls on the Eastern Distributor, the concession holder is required to pay concession fees in accordance with the Agreement. From the date of Financial Close, which occurred on 18 August 1997, the concession holder has paid $285 million by way of promissory notes (being $15 million on Financial Close and $15 million on each anniversary of Financial Close). A further $2.2 million was received in cash six months after Financial Close and $8 million in cash on the third anniversary of Financial Close. Under the Agreement, the promissory notes show a payment date (subject to provisions in the Project Deed) of 24 July 2048 and, as at 30 June 2017, the promissory notes have a value of $18.7 million (2016: $17.0 million) (refer note 10).

Under the terms of the Project Deed, ownership of the Eastern Distributor will revert to RMS on the earlier of the achievement of specified financial returns outlined in the Deed or 48 years from the Eastern Distributor Commencement Date of 23 July 2000. The conservative period of 48 years has been used to calculate RMS' emerging share of the asset. The total carrying value of the Eastern Distributor is $167.0 million as at 30 June 2017 (2016: $146.1 million).

13. Non-current assets - intangibles assets and other (continued)

Cross City Tunnel

An agreement was signed with the concession holder on 18 December 2002 to design, construct, operate and maintain the Cross City Tunnel. Major construction started on 28 January 2003. The Cross City Tunnel was completed and opened to traffic on 28 August 2005.

The construction cost was $642.0 million with the cost being met by the private sector. Under the terms of the agreement, an external party will operate the motorway until 18 December 2035, after which the motorway will be transferred back to RMS.

Reimbursement of certain development costs was received by RMS from the operator in the form of an upfront cash payment in August 2005. The amount of this payment was $96.9 million.

RMS values the asset by reference to RMS' emerging share of the depreciated replacement cost of the asset over the period of the concession period calculated using the effective interest rate method (refer note 1(f)(vi)). The total carrying value of the Cross City Tunnel is $248.4 million as at 30 June 2017 (2016: $219.2 million).

Westlink M7 Motorway

An agreement was signed with the concession holder on 13 February 2003 to design, construct, operate and maintain the Westlink M7 Motorway. Major construction started on 7 July 2003 and the completed motorway was opened to traffic on 16 December 2005.

The construction cost was $1.5 billion. The Federal Government contributed $356.0 million towards the cost of the project with the remainder of the cost being met by the private sector. RMS had responsibility under the contract for the provision of access to property required for the project. As a result of the NSW government entering into agreement with the concession holder to build NorthConnex (refer below), the concession period on the Westlink M7 motorway has been extended from 14 February 2037 to 30 June 2048. Under the terms of the agreement, the concession holder will operate Westlink M7 until 30 June 2048, after which the motorway will be transferred back to RMS.

Reimbursement of certain development costs were received by RMS from the operator in the form of an upfront cash payment in January 2006. The amount of this payment was $193.8 million.

RMS values the asset by reference to RMS' emerging share of the depreciated replacement cost of the asset over the period of the concession period calculated using the effective interest rate method (refer note 1(f)(vi)). The total carrying value of the Westlink M7 Motorway is $508.9 million as at 30 June 2017 (2016: $445.7 million).

At the time of the modification to the contract for the NorthConnex RMS was expected to receive a further $358.8 million (nominal value) in concession fees over a period from 30 September 2015 to 31 March 2037 (refer to Note 21). The concession receivable was subsequently monetised in October 2015 in which RMS received $174.2 million proceeds.

13. Non-current assets - intangibles assets and other (continued)

Lane Cove Tunnel

An agreement was signed with the concession holder on 4 December 2003 to finance, design, construct, operate and maintain the Lane Cove Tunnel Project. Major construction started on 24 June 2004 and the tunnel was opened to traffic on 25 March 2007.

The construction cost was $1.1 billion, with the cost being met by the private sector. RMS was responsible under the contract for the provision of access to property required for the project, which was identified by the Project Deed. On 31 January 2015, the concession term on the Lane Cove Tunnel was conditionally extended from 9 January 2037 to 30 June 2048. Under the terms of the agreement, the concession holder will operate the Lane Cove Tunnel until 30 June 2048, after which the motorway will be transferred back to RMS.

Reimbursement of certain development costs were received by RMS from the operator in the form of an upfront cash payment in April 2007. The amount of this payment was $79.3 million.

RMS values the asset by reference to RMS' emerging share of the depreciated replacement cost of the asset over the period of the concession period calculated using the effective interest rate method (refer to note 1(f)(vi)). The total carrying value of the Lane Cove Tunnel is $309.7 million as at 30 June 2017 (2016: $271.3 million).

In consideration for the extension of the concession term, RMS will receive a further $200 million in concession fees over a period from 31 December 2017 to 30 June 2019 (refer to note 21). RMS values the concession receivable at amortised cost. As at 30 June 2017, these future receipts have a value of $183.1 million (2016: $174.0 million) (refer to Note 10).

NorthConnex

An agreement was signed with the concession holder on 31 January 2015 to finance, design, construct, operate and maintain the NorthConnex motorway.

The motorway is estimated to cost approximately $3.0 billion to complete. Under the terms of the agreement, RMS will contribute $992.6 million in cash towards the construction, construction management and property acquisition costs, and the balance will be financed by the concession holder. RMS will receive up to $412.3 million from Restart NSW and up to $405.0 million from the federal government in the form of non-reciprocal cash grants to finance the bulk of its contribution.

On completion of construction, which is expected to be in 2019, the project deed stipulates that the concession holder will operate the motorway until 30 June 2048, after which the motorway will be transferred back to RMS. Up until the end of the concession period, RMS will grant the concession holder the right to levy and retain tolls on the motorway.

In consideration for building the NorthConnex motorway, the NorthConnex agreement also provides for enhanced concession terms to the operator in the form of an extension of the concession terms on the Westlink M7 motorway, Lane Cove Tunnel and M2 Motorway to 30 June 2048.

When the motorway is open to the public, RMS will value the NorthConnex asset by reference to RMS' emerging share of the depreciated replacement cost of the asset over the period of the concession period calculated using the effective interest rate method (refer note 1(f)(vi)). As at 30 June 2017, RMS has not recognised an emerging asset.

13. Non-current assets - intangibles assets and other (continued)

WestConnex

The WestConnex project comprises three stages including M4 Widening and M4 East Tunnel (New M4), construction of the new M5 Tunnel, and the M4-M5 link.

M4 Widening and New M4 (Stage 1)
The Stage 1 Project Deed was signed with the concession holder on 4 June 2015 to design, construct, operate and maintain part of the WestConnex motorway including widening the M4 West motorway, and the construction of surface works and new tunnels for M4 East.

The completion of construction is expected to be in 2019. The Project Deed stipulates that the concession holder will operate the motorway until 2060, after which the motorway will be transferred back to RMS at no cost. Up until the end of the concession period, RMS will grant the concession holder the right to levy and retain tolls on the motorway. Under the Project Deed, RMS is entitled to a share of tolling revenue above the base revenue threshold. As the revenue is contingent upon the level of traffic on the road, RMS will only recognise the revenue when it has been determined that the actual tolling revenue collected has exceeded the threshold.

New M5 (Stage 2)
The Stage 2 Deed was signed on 20 November 2015 to develop and upgrade the existing M5 East from Beverly Hills to St Peters. Under the Stage 2 Project Deed, RMS granted the concession holders a right to design, construct, operate, maintain and collect tolls until 2060.

As part of the arrangement, RMS will grant Motorway Stratum Land Leases over New M5 Main Works and M5 East Lease from December 2019 (unless the toll road is opened prior), and M5 West Lease from December 2026 (noting RMS has an option to exclude the M5 West) to the termination date of 31 December 2060. Under the Stratum Land Lease, RMS is entitled to a share of tolling revenue above the base revenue threshold. As the revenue is contingent upon the level of traffic on the road, RMS will only recognise the revenue when it has been determined that the actual tolling revenue collected has exceeded the threshold.

New M4 and New M5 (Stage 1 and 2)

RMS will not recognise any amounts relating to the improvement of the roads during the design and construction phase, as the risks and rewards of the improvements to the road rest with the operator. When the motorways are open to the public, RMS will value the WestConnex assets by reference to RMS' emerging share of the depreciated replacement cost of the assets over the concession period calculated using the effective interest rate method (refer note 1(f)(vi)). As at 30 June 2017, RMS has not recognised an emerging asset.

M4-M5 Link (Stage 3)

Stage 3 is currently in the development phase and it is not expected any agreements will be reached with the proposed concession holder until the 2017-18 financial year.

13. Non-current assets - intangibles assets and other (continued)

(b) Other intangible assets

	Notes	2017 $'000	2016 $'000
Balance at start of year			
Information technology system:			
Cost		333,611	301,531
Accumulated amortisation and impairment		(176,083)	(140,780)
Net carrying amount at the start of year		**157,528**	**160,751**
Balance at end of year			
Information technology system:			
Cost		368,727	333,611
Accumulated amortisation and impairment		(199,561)	(176,083)
Net carrying amount at end of year		**169,166**	**157,528**
Net carrying amount at start of year		157,528	160,751
Additions		15,946	38,606
Disposals	4	(271)	(1,720)
Transfer (to)/from PPE	12	30,809	(2,676)
Amortisation expense	2(d)	(34,846)	(37,433)
Net carrying amount at end of year	13(b)	**169,166**	**157,528**

14. Non-current assets held for sale

	2017 $'000	2016 $'000
Land and buildings	275	229,176
Non-current assets held for sale	**275**	**229,176**

Land and buildings held for sale include properties that have been identified as no longer required to fulfil long-term plans for road development or administrative needs. These assets are placed on auction or tender as outlined in the annual asset selling plan and sales budget. The gain or loss recognised on sale of land and buildings is $134.9 million gain (2016: $3.9 million gain). The written down value of land and buildings held for sale derecognised is $226.6 million (2016: $39.0 million).

The current period land held for sale includes revaluation increment of $0.3 million (2016: $139.0 million). Further details regarding the fair value measurement are disclosed in Note 15.

15. Fair value measurement of non-financial assets

(a) Fair value hierarchy

RMS uses the following hierarchy for disclosing the fair value of non-financial assets by the inputs used in the valuation technique:

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

	Level 1	Level 2	Level 3	Total fair value
	2017	2017	2017	2017
	$'000	$'000	$'000	$'000
Property, plant and equipment				
Land and buildings	-	3,630,252	-	3,630,252
Infrastructure systems*	-	-	73,065,567	73,065,567
Non-current assets held for sale	-	275	-	275
	-	**3,630,527**	**73,065,567**	**76,696,094**

	Level 1	Level 2	Level 3	Total fair value
	2016	2016	2016	2016
	$'000	$'000	$'000	$'000
Property, plant and equipment				
Land and buildings	-	3,463,896	-	3,463,896
Infrastructure systems*	-	-	71,693,347	71,693,347
Non-current assets held for sale	-	229,176	-	229,176
	-	**3,693,072**	**71,693,347**	**75,386,419**

*Work in progress is measured at cost and has been excluded from Note 15 Fair value measurement of non-financial assets note disclosure.

15. Fair value measurement of non-financial assets (continued)

(b) Valuation techniques, inputs and processes

Valuation Technique	Valuation input
Roads	
Depreciated replacement cost of significant road asset components: Pavements Asphalt Concrete Spray Culverts Drainage Longitudinal Subsoil Safety Barriers Fences Structures Other Assets are depreciated over estimated useful life depending on road component type (Note 1(l)(iii)). Fair value is re-valued in interim periods between comprehensive revaluations by movements in the RBCI. The determination of unit replacement rates for road valuations is carried out at least every 5 years by independent externally engaged qualified engineering contractors and employees of RMS.	Replacement cost per unit of road asset component. Cost per unit has been determined by reference to unit prices quoted in the most recent road construction tender documents. The price range is adjusted to eliminate outlier amounts. RBCI is applied to the replacement cost of the components, to ensure that carrying amounts are at fair value. Components are depreciated over their estimated useful life depending on road component type.
Land under roads	
The urban Average Rateable Value per hectare within each Local Government Area (LGA) is adjusted by an "open spaces ratio" to approximate fair value (unimproved and pre-subdivision land). The urban Average Rateable Value by LGA is derived from data provided by the Valuer-General.	Local Government Area rateable land values provided by the NSW Valuer-General. Measurements of land area in situ under roads.
Bridges	
Depreciated replacement cost for the following bridge types: Timber Structures Concrete structures Steel structures Bridge Trusses (timber and steel) Heritage Bridges Bridge size culverts/tunnels Bridge assets are depreciated over estimated useful depending on bridge type (Note 1(l)(iii)). Cost/m^2 rates per bridge type are derived from current estimated bridge construction costs. Bridge asset fair value is	Replacement cost per unit of bridge assets. Cost per unit has been determined by reference to unit prices quoted in the most recent bridge construction tender documents. The price range is adjusted to eliminate outlier amounts. RBCI is applied to the replacement cost of the components, to ensure that carrying amounts are at fair value. Components are depreciated over their estimated useful life depending on bridge type.

15. Fair value measurement of non-financial assets (continued)

Valuation Technique	Valuation input
determined by applying the replacement rate by type to bridge area. Fair value is re-valued in interim periods between comprehensive revaluations by movements in the RBCI. The determination of replacement rates for bridge valuations is carried out at least every 5 years by independent externally engaged qualified engineering contractors and employees of RMS.	
Sydney Harbour Tunnel	
Depreciated replacement cost of major asset components: Immersed Tube Mechanical and Electrical Pavement Earthworks Assets are depreciated over estimated useful life depending on component type (Note 1(l)(iii)). Fair value is re-valued in interim periods between comprehensive revaluations by movements in the RBCI.	The Sydney Harbour Tunnel (SHT) was initially valued in 2009 as part of a review of the extant accounting treatment of the asset at that time. A key outcome of that review was an initial recognition of the physical asset in the financial statements of the former Roads and Traffic Authority. Thereafter, the SHT has been revalued annually by the RBCI. The Road cost index is applied to the replacement cost of the components, to ensure that carrying amounts are at fair value. The fair value at that time was derived by indexing (RBCI) estimates of the initial construction cost of the SHT and the relative proportions of its major component types. Depreciation was applied over estimates of useful lives of those component types. There has been no material change to either the initial estimates or the valuation process.
Traffic Signals Network	
Depreciated replacement cost. Assets are depreciated over estimated useful life (Note 1(l)(iii)). Fair value is re-valued in interim periods between comprehensive revaluations by movements in the RBCI. The determination of traffic signal unit replacement rates for valuations is carried out at least every 5 years by externally engaged qualified engineering contractors and employees of RMS.	Current unit replacement costs.
Traffic Control Network	
Depreciated replacement cost of major asset components:	Current unit replacement costs.

15. Fair value measurement of non-financial assets (continued)

Valuation Technique	Valuation input
Traffic Systems Transport Management Centre Variable Message signs Assets are depreciated over estimated useful life depending on component type (Note 1(l)(iii)). Fair value is re-valued in interim periods between comprehensive revaluations by movements in the RBCI. The determination of traffic control system unit replacement rates for valuations is carried out at least every 5 years by externally engaged qualified engineering contractors and employees of RMS.	
Maritime Assets	
Depreciated replacement cost for: * Wharves and jetties * Dredging assets * Seawall * Maritime roads Assets are depreciated over estimated useful life depending on asset type (Note 1(l)(iii)). Fair value is re-valued in interim periods between comprehensive revaluations by obtaining letter of assurances from the external valuers. The determination of asset replacement rates for valuations is carried out at least every 5 years by externally engaged qualified engineering contractors and employees of RMS. Income Approach for: Moorings and wetlands Estimates of total revenue earned on long term mooring and wetland leases are capitalised at net present value.	Current unit replacement costs. Estimated total lease revenue.

15. Fair value measurement of non-financial assets (continued)

(c) Reconciliation of recurring Level 3 fair value measurements

		Roads	Land under roads	Bridges	Sydney Harbour Tunnel	Traffic signals network	Traffic controls network	Maritime assets	TOTAL
		$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000
2017	Net carrying amount at start of year	52,974,065	1,957,927	14,965,069	952,578	137,034	153,833	552,841	71,693,347
	Additions	687,560	-	210,199	-	4,200	29,993	-	931,952
	Assets recognised for the first time	21,420	-	12,594	-	-	-	-	34,014
	Net revaluation increments less revaluation decrements recognised in equity	588,732	180,406	94,375	5,364	-	807	15,772	885,456
	Net revaluation increments less revaluation decrements recognised in net result	-	-	-	-	733	-	-	733
	Asset write-off	(118,779)	-	(4,709)	-	(76)	(3,374)	(1,117)	(128,055)
	Reclassification between PPE classes	920,736	-	281,485	-	-	-	16,760	1,218,981
	Transfer from Level 2	-	38,052	-	-	-	-	68	38,120
	Depreciation expense	(1,304,913)	-	(201,224)	(15,258)	(21,391)	(15,010)	(11,376)	(1,569,172)
	Transfer to councils	(34,308)	(147)	(6,223)	-	-	-	-	(40,678)
	Transfer from councils	846	23	-	-	-	-	-	869
	Net carrying amount at end of year	**53,735,359**	**2,176,261**	**15,351,566**	**942,684**	**120,500**	**166,249**	**572,948**	**73,065,567**
2016	Net carrying amount at start of year	52,222,348	1,655,019	13,853,233	957,617	152,395	158,933	550,089	69,549,634
	Additions	837,401	-	406,782	-	4,043	8,290	-	1,256,516
	Assets recognised for the first time	33,994	11	3,891	-	-	-	-	37,896
	Net revaluation increments less revaluation decrements recognised in equity	(326,787)	88,217	114,961	10,077	-	959	8,661	(103,912)
	Net revaluation increments less revaluation decrements recognised in net result	-	197,059	-	-	1,982	-	-	199,041
	Disposals	(111,174)	-	(18,517)	-	(36)	(484)	(924)	(131,135)
	Reclassification between PPE classes	1,671,077	-	811,751	-	-	-	5,844	2,488,672
	Transfer from Level 2	-	17,847	-	-	-	-	-	17,847
	Depreciation expense	(1,274,958)	-	(195,210)	(15,116)	(21,350)	(13,865)	(10,829)	(1,531,328)
	Transfer to councils	(77,836)	(226)	(12,365)	-	-	-	-	(90,427)
	Transfer from councils	-	-	543	-	-	-	-	543
	Net carrying amount at end of year	**52,974,065**	**1,957,927**	**14,965,069**	**952,578**	**137,034**	**153,833**	**552,841**	**71,693,347**

Parcels of land are transferred from LAFFRW (level 2) to Land Under Roads (level 3) when construction begins. Refer Note 1(l)(ii) for RMS policy for determining when transfers are deemed to have occurred.

16. Restricted Assets

	2017 $'000	2016 $'000
Cash and cash equivalents	334,013	184,775

Holders of E-tags provide an initial amount as a security deposit for the use of the actual E-tag. The deposit is refundable upon closure of the associated E-tag account. Monies received for these deposits of $55.2 million (2016: $54.2 million) are held within the Treasury Banking System. Transactions on this account are restricted to activity relating to E-Tag deposits.

Funds administered on behalf of the Maritime Waterways fund are restricted to activity relating to the maritime transactions. The monies of $226.6 million (2016: $78.7 million) are held within Westpac Bank Accounts that are included in the Treasury Banking System. They are controlled by RMS and are covered by Section 42 of the *Ports and Maritime Administration Act 1995*.

Funds relating to land acquisitions by the state, the authority of the state are required to keep the money in a fund for the person entitled to the compensation concerned. Monies received for these deposits of $43.5 million (2016: $44.8 million) are held within the Treasury Banking System. Transactions on this account are restricted to activity relating to land acquisitions.

Funds administered on behalf of the Tow Truck Industry Fund and are restricted to activity relating to the fund. The monies of $8.5 million (2016: $6.9 million) are held within the Treasury Banking System. They are controlled by RMS and are covered by Section 91 of the *Tow Truck Industry Act 1998*. Transactions on this account are restricted to activity relating to Tow Truck Licensing.

Rental bonds are held against RMS properties that are leased to various customers. The funds are interest-bearing and are due to customers at the end of the lease period. Monies received for these deposits of $0.2 million (2016: $0.3 million) are held within Westpac Bank Accounts that are included in the Treasury Banking System. Transactions on these accounts are restricted to rental payments.

17. Payables

	2017 $'000	2016 $'000
(i) Current payables		
Accrued expenses		
- Work carried out by councils	135,429	97,842
- Works contract expenditure	415,772	368,684
- Other (including non-works contracts)	252,117	225,555
Trade creditors*	169,350	30,606
Creditors arising from compulsory acquisitions	115,176	98,908
Personnel services	61,956	70,952
Other	88,519	27,101
Current payables	**1,238,319**	**919,648**
(ii) Non-current payables		
Personnel services	7,469	7,106
Other	7,623	-
Non-current payables	**15,092**	**7,106**

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

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 19.

Subsequent to the commencement of the *Government Sector Employment Act 2013*, the RMS Group of employees have been transferred to Transport Service. Accordingly, employee related provisions have been derecognised and classified as personnel services payable.

Following the NSW Treasury approval to transfer former RMS award staff personnel services liabilities relating to the Long Service Leave (LSL) and Defined Benefit Scheme Superannuation from Transport Service of NSW to the Crown Finance Entity, current and non-current personnel services payable of $1,356.4 million were transferred as an equity transfer effective 1 July 2015 (refer to Note 23).

18. Borrowings

	Notes	2017 $'000	2016 $'000
(i) Current - Unsecured			
Finance lease - Sydney Harbour Tunnel	22(c)	53,680	47,117
Current borrowings		**53,680**	**47,117**
(ii) Non-current - Unsecured			
Finance lease - Sydney Harbour Tunnel	22(c)	305,133	358,813
Non-current borrowings		**305,133**	**358,813**

Details regarding credit risk, liquidity risk and market risk, including maturity analysis of the above borrowings are disclosed in Note 19.

19. Financial instruments

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

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

Compliance with policies is reviewed by the entity on a continuous basis.

(a) Financial instrument categories

	Note	Category	Carrying amount 2017 $'000	Carrying amount 2016 $'000
Financial assets				
Class:				
Cash and cash equivalents	8	N/A	748,652	617,943
Receivables[1]	9	Loans and receivables (at amortised cost)	416,679	132,427
Financial assets at fair value	11	At fair value through profit or loss designated upon initial recognition	104,857	97,518
Other financial assets	10	Loans and receivables (at amortised cost)	390,532	372,829
			1,660,720	**1,220,717**
Financial liabilities				
Class:				
Payables[2]	17,21	Financial liabilities measured at amortised cost	1,430,757	1,081,510
Borrowings	18	Financial liabilities measured at amortised cost	358,813	405,930
			1,789,570	**1,487,440**

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) Market risk

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

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the table below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which RMS operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the Statement of Financial Position date. The analysis is performed on the same basis as for 2016 and assumes that all other variables remain constant.

19. Financial instruments (continued)

(i) Interest rate risk

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

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

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

		-1%		1%	
	Carrying amount 2017 $'000	Surplus/Deficit 2017 $'000	Equity 2017 $'000	Surplus/Deficit 2017 $'000	Equity 2017 $'000
Financial assets					
Cash and cash equivalents	333,878	(3,339)	(3,339)	3,339	3,339
Financial assets at fair value	104,857	(1,049)	(1,049)	1,049	1,049
Other financial assets	390,532	(3,905)	(3,905)	3,905	3,905
	829,267	**(8,293)**	**(8,293)**	**8,293**	**8,293**

		-1%		1%	
	Carrying amount 2016 $'000	Surplus/Deficit 2016 $'000	Equity 2016 $'000	Surplus/Deficit 2016 $'000	Equity 2016 $'000
Financial assets					
Cash and cash equivalents	588,713	(5,887)	(5,887)	5,887	5,887
Financial assets at fair value	97,518	(975)	(975)	975	975
Other financial assets	372,829	(3,728)	(3,728)	3,728	3,728
	1,059,060	**(10,590)**	**(10,590)**	**10,590**	**10,590**

19. Financial instruments (continued)

(ii) Other price risk – TCorp Hour-Glass facilities

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

Facility	Investment sectors	Investment horizon	2017 $ '000	2016 $ '000
Cash facility	Cash, money market instruments	up to 1.5 years	-	-
Strategic Cash facility	Cash, money market instruments, interest rate securities, bank floating rate notes	1.5 years to 3 years	-	-
Medium term growth facility	Cash, money market instruments, Australian and international bonds, listed property, and Australian shares	3 years to 7 years	72,937	68,897
Long term growth facility	Cash, money market instruments, Australian and international bonds, listed property, and Australian shares	7 years and over	31,920	28,621

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

NSW TCorp is the trustee for each of the above facilities and is required to act in the best interest of the unit holders and to administer the trusts in accordance with the trust deeds. As trustee, TCorp has appointed external managers to manage the performance and risks of each facility in accordance with a mandate agreed by the parties. TCorp has also leveraged off internal expertise to manage certain fixed income assets for the Hour-Glass facilities. A significant portion of the administration of the facilities is outsourced to an external custodian.

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

NSW TCorp provides sensitivity analysis information for each of the Investment facilities, using historically based volatility information collected over a ten year period, quoted at two standard deviations (i.e. 95% probability). The TCorp Hour-Glass Investment facilities are designated at fair value through profit or loss and therefore any change in unit price impacts directly on profit (rather than equity). A reasonably possible change is based on the percentage change in unit price (as advised by TCorp) multiplied by the redemption value as at 30 June each year.

Facility	Change in unit price	2017 $ '000	2016 $ '000
Cash facility	+/- 1%	-	-
Strategic Cash facility	+/- 1%	-	-
Medium term growth facility	+/- 7%	5,106	4,823
Long term growth facility	+/- 16%	5,107	4,579

19. Financial instruments (continued)

(c) Credit risk

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

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

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

		Banks $ '000	Government $ '000	Other $ '000	Total $ '000
2017	Cash and cash equivalents	748,056	-	596	748,652
	Receivables	-	88,889	327,790	416,679
	Financial assets at fair value	-	104,857	-	104,857
	Other financial assets	-	-	390,532	390,532
2016	Cash and cash equivalents	617,508	-	435	617,943
	Receivables	-	-	132,427	132,427
	Financial assets at fair value	-	97,518	-	97,518
	Other financial assets	-	-	372,829	372,829
	Total financial assets	**617,508**	**97,518**	**505,691**	**1,220,717**

19. Financial instruments (continued)

(i) Cash and cash equivalents

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

(ii) Receivables – trade debtors

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

RMS are not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Based on past experience, debtors that are not past due (2017: $30.5 million; 2016: $32.9 million) and past due (2017: $13.5 million; 2016: $20.0 million) are not considered impaired and together these represent 81.5 per cent (2016: 89 per cent) of the total trade debtors. There are no debtors which are currently not past due or impaired whose terms have been renegotiated.
The only financial assets that are past due or impaired are "sales of goods and services", "other" and "property debtors" in the "receivables" category of the Statement of Financial Position (refer to Note 9).

		Past due but not impaired*	Considered impaired*	Total*
		$ '000	$ '000	$ '000
2017	< 3 months overdue	9,814	485	10,299
	3 months - 6 months overdue	1,737	525	2,262
	> 6 months overdue	1,921	9,000	10,921
2016	< 3 months overdue	13,615	196	13,811
	3 months - 6 months overdue	1,773	445	2,218
	> 6 months overdue	4,589	5,801	10,390

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

(iii) Other financial assets

The repayment of the Sydney Harbour Tunnel loan ranks behind all creditors to be paid. Redemption of the M2 and Eastern Distributor promissory notes is dependent upon counterparties generating sufficient cash flows to enable the face value to be repaid.

(iv) RMS Deposits

RMS have placed funds on deposit with highly rated financial institutions. These deposits are similar to money market or bank deposits and can be placed "at call" or for a fixed term. For fixed term deposits, the interest rate payable by TCorp is negotiated initially and is fixed for the term of the deposit, while the interest rate payable on at call deposits can vary. The deposits at balance date were earning an average interest rate of 3.0 per cent (2016: 1.75 per cent), while over the year the weighted average interest rate was 3.07 per cent (2016: 1.37 per cent) on a weighted average balance during the year of $406.8 million (2016: $244.1 million). None of these assets are past due or impaired.

19. Financial instruments (continued)

(d) Fair value

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

The future cash flows of the promissory notes and concession payments are valued at amortised cost, using their effective interest rates.

The fair value of the Lane Cove Tunnel concession payments is $187.7 million (2016: $172.5 million) which differs from the carrying amount of $183.1 million (2016: $174.0 million) (refer to Note 10) and is determined using effective interest rate 5.63 per cent (2016: 5.63 per cent).

The fair values of the M2 Motorway and Eastern Distributor promissory notes are $75.9 million (2016: $77.4 million) which differs from their carrying amount of $52.5 million (2016: $53.7 million) (refer to Note 10). The M2 Motorway promissory notes are determined using effective interest rate of 10.61 per cent (2016: 10.61 per cent) and Eastern Distributor promissory notes at 10.39 per cent (2016: 10.39 per cent).

The interest rates sensitivity analysis for these future cash flows are disclosed in Note 19(b)(i).

(e) Fair value recognised in statement of financial position

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

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

	Level 1 2017 $'000	Level 2 2017 $'000	Level 3 2017 $'000	Total 2017 $'000
Financial assets at fair value				
TCorp Hour-Glass Investment Facilities	-	104,857	-	**104,857**
	-	**104,857**	**-**	**104,857**

	Level 1 2016 $'000	Level 2 2016 $'000	Level 3 2016 $'000	Total 2016 $'000
Financial assets at fair value				
TCorp Hour-Glass Investment Facilities	-	97,518	-	97,518
	-	**97,518**	**-**	**97,518**

The table above only includes financial assets, as no financial liabilities were measured at fair value in the Statement of Financial Position. There were no transfers between level 1 and 2 during the year ended 30 June 2017 (2016: none).

19. Financial instruments (continued)

(f) Liquidity risk

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

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

RMS has a Come and Go Facility with TCorp valued at $110 million that has current approval to 30 June 2018 for cash management purposes. This year the facility was not used to fund shortfalls, incurring a total interest charge of zero.

Financing arrangements

	2017 $ '000	2016 $ '000
Unrestricted access was available at the Statement of Financial Position date to the come and go facility	-	-
Total facility	110,000	110,000
Used at Statement of Financial Position date	-	-
Unused at Statement of Financial Position date	**110,000**	**110,000**

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

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with TC 11/12 "Payment of Accounts". 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.

For all suppliers, where terms are not specified, payment is made not later than 30 days from date of receipt of a correctly rendered invoice. For small business suppliers, where payment is not made within the specified time period, simple interest must be paid automatically unless an existing contract specifies otherwise. The average rate of interest applied during the year was 9.8% (2016: 10.2%).

19. Financial instruments (continued)

(f) Liquidity risk (cont'd)

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

Maturity analysis and interest rate exposure of financial liabilities

				Interest rate exposure			Maturity dates		
		Weighted Average Effective Int. Rate (%)	Nominal amount*	Fixed Interest Rate	Variable Interest Rate	Non-interest bearing	< 1 year	1 - 5 years	> 5 years
			$'000	$'000	$'000	$'000	$'000	$'000	$'000
2017	**Payables**								
	Trade creditors	-	169,350	-	-	169,350	169,350	-	-
	Accrued expenses	-	803,318	-	-	803,318	803,318	-	-
	Other payables	-	211,318	-	-	211,318	203,695	7,623	-
	Personnel services	-	69,425	-	-	69,425	61,956	7,469	-
	Sydney Harbour Tunnel tax liability	-	23,563	-	-	23,563	4,475	18,422	666
	Holding accounts	-	155,711	-	-	155,711	155,711	-	-
	Borrowings								
	Finance leases	7.70	438,539	438,539	-	-	79,132	344,046	15,361
2016	**Payables**								
	Trade creditors	-	30,606	-	-	30,606	30,606	-	-
	Accrued expenses	-	692,081	-	-	692,081	692,081	-	-
	Other payables	-	126,009	-	-	126,009	126,009	-	-
	Personnel services	-	78,058	-	-	78,058	70,952	7,106	-
	Sydney Harbour Tunnel tax liability	-	26,005	-	-	26,005	2,104	15,889	8,012
	Holding accounts	-	131,565	-	-	131,565	131,565	-	-
	Borrowings								
	Finance leases	7.70	514,824	514,824	-	-	76,285	332,856	105,683

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

20. Provisions

	2017 $'000	2016 $'000
(i) Current provisions		
Provision for makegood - leasehold	2,108	921
Provision for remediation - land	5,000	6,070
Current provisions	**7,108**	**6,991**
(ii) Non-current provisions		
Provision for makegood - leasehold	10,605	11,119
Non-current provisions	**10,605**	**11,119**
Total provisions	**17,713**	**18,110**

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

	Provision for makegood - leasehold $'000	Provision for remediation - land $'000	Total $'000
Carrying amount at start of year	12,040	6,070	18,110
Additional provisions recognised	3,028	5,000	8,028
Unused amounts reversed	(2,469)	(1,530)	(3,999)
Unwinding/ change in the discount rate	223	-	223
Amounts utilised	(109)	(4,540)	(4,649)
Carrying amount at end of year	**12,713**	**5,000**	**17,713**

The makegood leaseholds provision is calculated on all leased properties where RMS is the lessee and reflects an estimate of the cost to makegood the premises to their original condition at the end of the lease term. The calculated provision balance as at 30 June 2017 is based on per square metre rates ranging from $101 to $222 (2016: $200), adjusted by CPI of 2.25% (2016: 2.75%) and discounted at an average rate of 1.85% (2016: 2.07%). The level of the provision is reviewed at the end of each year.

21. Other liabilities

	2017 $'000	2016 $'000
(i) Current liabilities - other		
Statutory creditors	11,551	10,405
Unearned rent on M5 Motorway	513	513
Sydney Harbour Tunnel tax liabilities	2,153	2,103
Income received in advance	17,871	13,557
Holding accounts	155,711	131,565
Deferred revenue - reimbursement on private sector provided infrastructure	19,030	19,030
Priority list on moorings	457	512
Wetland security deposits*	1,676	1,513
Boating fees in advance**	34,617	35,042
Current liabilities - other	**243,579**	**214,240**
(ii) Non-current liabilities - other		
Unearned rent on M5 motorway	4,336	4,850
Sydney Harbour Tunnel tax liabilities	19,482	21,088
Income received in advance	70,293	72,442
Deferred revenue - reimbursement on private sector provided infrastructure	531,051	550,081
Boating fees in advance	26,959	23,372
Non-current liabilities - other	**652,121**	**671,833**

*This amount mainly represents cash deposits, in lieu of bank guarantees, received from the developer of King Street Wharf, as security over the completion of specific stages of the construction project.

**Boating fees in advance comprises prepayments by customers for licences, registrations and moorings for the service component which will be provided by NSW Maritime in the future.

Additional disclosures relating to specific items of Other Liabilities are detailed below:

Sydney Harbour Tunnel tax liabilities	2017 $'000	2016 $'000
Sydney Harbour Tunnel past tax liability	1,815	1,765
Sydney Harbour Tunnel future tax liability	338	338
Current	**2,153**	**2,103**
Sydney Harbour Tunnel past tax liability	6,513	7,834
Sydney Harbour Tunnel future tax liability	12,969	13,254
Non-current	**19,482**	**21,088**

Unearned rent and deferred revenue on motorways

The land acquisition loan of $22.0 million, based on the cost of land under the M5 Motorway originally purchased by RMS, was repaid in June 1997 by the concession holder. The repayment of the loan is considered to be a prepayment of the remaining rental over the period of the concession agreement. In accordance with AASB 117 *Leases*, this revenue is brought to account over the period of the lease.

In consideration for the concession holder undertaking construction of an interchange at Moorebank (M5 Motorway Improvements) on the M5 Motorway, the original concession period (to 14 August 2022) has been extended to 10 December 2026.

21. Other liabilities (continued)

	2017 $ '000	2016 $ '000
Rent earned in prior year	16,637	16,124
Rent earned in current year	513	513
Unearned rent as at year end	4,850	5,363
Unearned rent	**22,000**	**22,000**

NSW Treasury has mandated the adoption of TPP 06–08 "Accounting for Privately Funded Projects" which requires revenue to be brought to account over the period of the concessions. Under the various Private Sector Provided Infrastructures, $369.9 million was received following the letting of the Lane Cove Tunnel, Cross City Tunnel and Western M7 Motorway contracts as reimbursement of development costs.

In addition, as a result of the signing of the NorthConnex agreement on 31 January 2015, RMS is to receive concession fees of $358.8 million in relation to the M7 Motorway and $200.0 million in relation to Lane Cove Tunnel (nominal values) (refer to Note 13(a)). RMS have recorded the present value of these future cash flows as deferred revenue for the reimbursement of development costs of $240.9 million (2016: $250.0 million) and the concession payments of $305.2 million (2016: $315.0 million). RMS will amortise the liability over the concession period. The amortisation and deferred revenue balances are shown in the table below.

Promissory notes are to be received in respect of M2 and Eastern Distributor. M2 promissory notes are redeemable in 2046 and Eastern Distributor promissory notes are redeemable in 2048. RMS has recorded the present value of these future cash flows of $4.0 million (2016: $4.1 million) as deferred revenue and will amortise the liability over the concession period. The amortisation and deferred revenue balances are shown in the table below.

	2017 $ '000	2016 $ '000
Amortisation of deferred revenue in prior years	119,961	110,904
Amortisation of deferred revenue in current year	9,057	9,057
Unearned reimbursement as at year end	240,898	249,955
Reimbursement of development costs for Lane Cove Tunnel, Gross City Tunnel and Western M7 Motorway	**369,916**	**369,916**
Amortisation of deferred revenue in prior years	13,936	4,098
Amortisation of deferred revenue in current year	9,838	9,838
Unearned reimbursement as at year end	305,179	315,019
Lane Cove Tunnel and M7 Motorway Concession Payments	**328,953**	**328,955**
Amortisation of deferred revenue in prior years	2,552	2,419
Amortisation of deferred revenue in current year	135	135
Unearned reimbursement as at year end	4,004	4,137
M2 and Eastern Distributor Promissory Notes	**6,691**	**6,691**
Total Unearned reimbursement as at year end	**550,081**	**569,111**
Classified as:		
Current	19,030	19,030
Non-current	531,051	550,081
Total	**550,081**	**569,111**

22. Commitments for expenditure

(a) Capital Commitments

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

	2017 $'000	2016 $'000
Within one year	2,739,197	1,329,562
Later than one year and not later than five years	704,005	1,945,068
Later than five years	151	542
Total (including GST)	**3,443,353**	**3,275,172**

(b) Operating lease commitments

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

	2017 $'000	2016 $'000
Within one year	51,702	63,282
Later than one year and not later than five years	72,185	89,102
Later than five years	13,464	30,536
Total (including GST)	**137,351**	**182,920**

The property operating lease commitments are as follows:

	2017 $'000	2016 $'000
Within one year	27,826	30,450
Later than one year and not later than five years	41,684	48,112
Later than five years	12,535	30,536
Total (including GST)	**82,045**	**109,098**

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

The light motor vehicle operating lease commitments are as follows:

	2017 $'000	2016 $'000
Within one year	10,537	21,939
Later than one year and not later than five years	9,868	26,645
Total (including GST)	**20,405**	**48,584**

The light motor vehicle lease is managed by SG Fleet Group Limited, a private fleet leasing company (2016: Department of Finance, Services and Innovation) selected under the Prequalification Scheme (Scheme) implemented by the Department of Finance, Services and Innovation. The lease is financed through a panel of six financing companies under the Scheme (2016: NSW Treasury Corporation).

22. Commitments for expenditure (continued)

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

	2017 $'000	2016 $'000
Within one year	13,339	10,893
Later than one year and not later than five years	20,633	14,345
Later than five years	929	-
Total (including GST)	**34,901**	**25,238**

The heavy motor vehicle lease is held and financed with Fleet Partners, SG Fleet Australia, Atlas Copco Australia, Capital Finance Australia and Kennard's Hire.

The total commitments detailed above include GST input tax credits of $325.5 million (2016: $314.4 million) that are expected to be recoverable from the Australian Taxation Office (ATO).

Future property operating lease rental incomes that are not recognised in the financial statements as receivables are as follows:

	2017 $'000	2016 $'000
Within one year	48,167	45,812
Later than one year and not later than five years	130,171	128,608
Later than five years	319,799	377,161
Total (including GST)	**498,137**	**551,581**

The total commitments detailed above include GST amount of $45.3 million (2016: $50.1 million) that are expected to be payable to the ATO.

(c) Sydney Harbour Tunnel – finance lease liability

	Notes	2017 $'000	2016 $'000
Future minimum lease payments under finance lease, together with the present value of the net minimum lease payments are, as follows:			
Within one year	19(f)	79,132	76,285
Later than one year and not later than five years	19(f)	344,046	332,856
Later than five years	19(f)	15,361	105,683
Minimum lease payments	19(f)	**438,539**	**514,824**
Less: future finance charges		(79,726)	(108,894)
Present value of minimum lease payments		**358,813**	**405,930**
The present value of finance lease commitments is as follows:			
Within one year		53,680	47,117
Later than one year and not later than five years		289,980	258,528
Later than five years		15,153	100,285
Present value of finance lease commitments		**358,813**	**405,930**
Classified as:			
Current	18(i)	53,680	47,117
Non-current	18(ii)	305,133	358,813
Total		**358,813**	**405,930**

22. Commitments for expenditure (continued)

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

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

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

Contingent lease payments include increases in the ERS liability resulting from fluctuations in the weighted index component of the ERS Agreement (e.g. CPI fluctuations) and adjustments to the amount payable resulting from ERS clause 4.1(a) renegotiations such as GST on the tunnel tolls. Contingent lease payments are charged as expenses in the period they are incurred and amounted to $2.4 million for the year ending 30 June 2017 (2016: $2.1 million).

23. Increase in net assets from equity transfers

Transfer of net assets

	Notes	2017 $'000	2016 $'000
Net assets transferred were:			
Current assets			
Non-current assets held for sale		-	(1,975)
Non-current assets			
Land and buildings	12	43,065	(93)
Current and non-current liabilities			
Personnel Services Payable	31	-	1,356,353
Increase/(decrease) in net assets from equity transfer		**43,065**	**1,354,285**

2017
Land valued at $46.7m was transferred from Sydney Harbour Foreshore Authority and RailCorp to RMS for WestConnex construction. This is offset by $1.3m of land transferred out to Office of Environment Heritage for compensatory habitat loss as a result of road widening work and $2.4 million of administrative land and buildings transferred out to Property New South Wales under Ministerial Order.

2016
Following the NSW Treasury approval to transfer former RMS award staff personnel services liabilities relating to the Long Service Leave (LSL) and Defined Benefit Scheme Superannuation from Transport Service of NSW to the Crown Finance Entity, current and non-current personnel services payable of $1,356.4 million were transferred as an equity transfer effective 1 July 2015.

24. Events after the reporting period

WestConnex Stage 1A was opened to traffic on 4 July 2017 and the NSW Government has announced one month toll free period from 15 July 2017. This is a non-adjusting after reporting period event and the impact of this event will result in re-classification between assets for existing infrastructure works contributed of approximately $450 million and recognition of an emerging asset starting from 4 July 2017. Expense for toll free period will be recognised in the 2017-18 financial year when incurred.

25. Contingent assets and contingent liabilities

There are several significant contractual disputes with an estimated total contingent liability of $25.1 million (2016: $25.1 million). There are a number of contractual claims that have arisen from the normal course of business after the balance date, relating to matters occurring during the financial year. There is significant uncertainty as to whether a future liability will arise in respect to these items. The amount of the liability that may arise cannot be measured reliably at this time.

Compulsory property acquisition matters under litigation have an estimated contingent liability of $676.2 million (2016: $658.9 million). These amounts are net of Treasury Managed Fund (TMF) reimbursement.

RMS has a number of environmental matters emerging from its normal road construction works. There is significant uncertainty as to whether any future liability will emerge in respect of these matters as they are in early state of works, and cannot be reliably measured at this time.

RMS has certain obligations under contracts with private sector parties with the performance of these obligations guaranteed by the State. The current guarantees outstanding are for the Sydney Harbour Tunnel, the M2 Motorway, the Eastern Distributor, the Cross City Tunnel, the Western Orbital, the Lane Cove Tunnel, NorthConnex and WestConnex. These guarantees are unlikely to ever be exercised.

26. Budget Review

Net result
The actual net surplus result was higher than budget by $166 million. These variances are mainly due to changes that occurred during the year as detailed in the table below.

	$'M
Net surplus result as per the Budget	2,333
Variance comprises:	
Lower than budgeted write-down of land assets	551
Unbudgeted gains from sale of assets held for sale	132
Lower than budgeted personnel services expenses	63
Lower than budgeted depreciation due to lower than budgeted projects open to traffic and difference in index used for interim revaluation	59
Higher than budgeted Heavy Vehicle Regulatory revenues	45
Unbudgeted other revenue for assets recognised for the first time	34
Lower than budgeted road assets transferred to councils	30
Higher than budgeted Motor Vehicle Weight Tax collections	28
Lower than budgeted disposals and write-offs	10
Higher than budgeted net Natural Disaster spend, to be recovered in 2017-18	(9)
Higher than budgeted operating expenses largely comprising of M5 cash back refunds	(9)
Lower than budgeted capital grants received due to re-profiling in the capital projects	(770)
Other budget variances	2
Net surplus result as per the Actuals	**2,499**

The employee and personnel service related expenses variance is explained below:

	$'M
Employee related and personnel service expenses as per the Budget	530
Variance comprises:	
Lower than budgeted non-controllable non-cash actuarial adjustments for personnel service	(38)
Lower than budgeted employee numbers and higher capitalisation of personnel services expenses	(36)
Higher than budgeted redundancy expense	14
Other net budget variances	(3)
Total variance	(63)
Actual employee related and personnel service expenses after adjusting variances as per the financial statements	**467**

Assets and liabilities

Total current assets are higher than budget by $700 million largely due to higher cash and cash equivalents of $444 million due to cash held to meet cash flow demands in July ($150m), higher restricted cash balance ($176m) mainly from realisation of asset held for sale and unbudgeted cash receipts ($44m). Receivables were higher than budgeted by $256 million mainly from asset held for sale receivable ($80m), prepayment of contract works ($70m), and accrued revenue ($82m).

Total non-current assets are lower than budget by $3,884 million primarily due to the removal of the Private Motorway segments from road assets in 2015-16 that was not reflected in the budget ($1 billion), lower than budgeted infrastructure revaluation increment due to interim indexation rate utilised ($1.7 billion), and lower than budgeted capex spend due to re-profiling ($800 million).

Total liabilities are higher than budget by $282 million. This is largely due to timing difference in payments ($150m) and higher than budgeted accrual activities ($113m).

26. Budget Review (continued)

Cash flows

Actual Cash position at 30 June 2017 shows a $445 million favourable variance.

	$'M
Closing cash and cash equivalents as per the Budget	304
Variance comprises:	
Lower than budgeted cash flows used in investing activities mainly due to lower cash outlays on capital spending	865
Favourable opening cash position at the beginning of the year due to re-profiling of capital projects in the prior year	207
Lower than budgeted net cash inflows from operating activities mainly due to lower capital grants received due to capital re-profiling	(627)
Closing cash and cash equivalents as per the Actuals	**749**

27. Native title

The Commonwealth's legislation (*Native Title Act*) and the New South Wales statute (*Native Title (New South Wales) Act*) have financial implications for New South Wales Government agencies generally. RMS has undertaken an assessment of the impact of this legislation on its financial position as at 30 June 2017. This assessment indicates there were no Native Title Claims which had a financial impact during the financial year ending 30 June 2017 (2016: none).

28. Administered income and expenses

	2017 $'000	2016 $'000
Transfer receipts		
Taxes, fees and fines	604,472	723,759
Stamp duty	826,277	786,584
Motor vehicle weight tax and fines	2,079,195	1,990,724
Other	55,034	55,372
Administered income	**3,564,978**	**3,556,439**
Administered income less expenses	**3,564,978**	**3,556,439**

29. Administered assets and liabilities

	2017 $'000	2016 $'000
Remitting account, cash in transit and cash on hand	33,683	30,790
Administered assets	**33,683**	**30,790**
Holding accounts (current liabilities-other)	33,683	30,790
Other*	232,377	220,259
Administered liabilities	**266,060**	**251,049**

* The amount of multiple licence fees issued in the current year is approximately $144.2 million (2016: $168.9 million). The maximum period of licence is 10 years. First year licences are not deemed to be a liability. The outstanding liability above represents the remaining 9 years. Refer to Note 1(e) for further details.

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

30. Reconciliation of cash flows from operating activities to net result

Reconciliation of cash flows from operating activities to the net result as reported in the Statement of Comprehensive Income as follows:

	Notes	2017 $'000	2016 $'000
Net cash inflows / (outflows) from operating activities		4,191,091	4,430,261
Depreciation and amortisation	2(d)	(1,638,951)	(1,604,112)
M2 and Eastern Distributor Promissory Notes		(1,260)	5,125
Non-cash personnel services expense		(12,209)	(48,014)
Right to receive on PSPI	13(a)	233,412	220,604
Assets free of charge		88,151	58,370
Other non-cash items		105,660	163,200
Other loss	5	-	(358)
Roads and bridges transferred from councils	12	869	543
Roads and bridges transferred to councils	2(e)	(40,678)	(90,427)
Net revaluation increment / (decrement) recognised in net result	5	(367,352)	43,949
Net gain / (loss) on sale of non-current assets held for sale	4	134,944	-
Increase/(decrease) in receivables		328,200	89,461
Increase/(decrease) in inventories		(682)	(390)
(Increase)/decrease in payables		(252,734)	(20,195)
(Increase) / decrease in provisions		641	40,701
Assets written off	5	(262,709)	(131,294)
Net gain / (loss) on sale of property, plant and equipment		(7,004)	(7,020)
Reconciliation to net result		**2,499,389**	**3,150,404**

31. Non-cash financing and investing activities

	Notes	2017 $'000	2016 $'000
Personnel services liabilities transferred to Crown	23	-	1,356,353
M2 and Eastern Distributor promissory notes		(1,260)	5,125
Roads transferred from councils	12	869	543
Roads transferred to councils	2(e)	(40,678)	(90,427)
Right to receive on PSPI	3(f)	233,412	220,604
Assets recognised for the first time	3(f)	34,014	37,896
Assets free of charge		88,151	58,370
Assets written off	5	(262,709)	(131,294)
Equity transfers	23	43,065	-
Resources received free of charge	3(f)	22,980	48,014
Net revaluation increment recognised in net result	6	(367,352)	43,949
Non-cash financing and investing activities		**(249,508)**	**1,549,133**

32. Related Party Disclosures

(a) Key Management Personnel Compensation

During the year, RMS incurred $3.9 million in respect of the key management personnel services that are provided by Transport Service NSW. The amount incurred excludes long service leave and defined benefit superannuation scheme benefits assumed by the Crown Entity in accordance with NSWTC 16-12 Related party disclosures.

(b) Key management personnel transactions and outstanding balances with the reporting entity and its parent during the financial year

Key management personnel did not have material transactions or outstanding balances with RMS or its parent during the financial year.

(c) Transactions with Government Related Entities during the financial year

During the 2016-17 financial year, RMS has entered into following normal course of business and collectively significant transactions with other NSW government agencies which are controlled entities of the NSW Government:

- Grants revenue from Transport for NSW (RMS' parent entity).
- Transport Shared Services charges for finance, human resources, and information technology services.
- Personnel services expenses provided by Transport Service and personnel services revenue for seconded staff from other NSW government agencies.
- Grants and contributions from various NSW government agencies including Sydney Trains, Department of Justice (natural disaster grants), The Ministry for Police & Emergency Services, Mine Subsidence Board and Service NSW.
- WestConnex development cost delivered by Sydney Motorway Corporation (SMC).
- Disposal cost for the sale of land which was paid/is payable to UrbanGrowth NSW.
- National Heavy Vehicle Regulatory funding received from and paid to other state government bodies.
- Property rental payment to Property NSW.
- Third party insurance data charges provided by Motor Accidents Authority.
- Channel fees received from Newcastle Port Corporation.
- Insurance payment to and hindsight adjustment received from the Treasury Managed Fund (TMF).
- Investment in T-Corp Hourglass facilities and investment revenue earned from these facilities.
- Interest revenue earned from the Treasury Banking System.
- Service fees for the delivery of IT project to Service NSW.

End of Audited Financial Statements

Roads and Maritime Services
Locked Bag 928
North Sydney NSW 2059
rms.nsw.gov.au

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