

Transport for NSW  $\frac{19}{20}$   
Annual Report



Volume 2

# **Transport for NSW Annual Report – Volume 2**

## **Overview**

This volume of the Transport for NSW Annual Report contains the audited financial statements and Independent Auditor's Report for the following entities:

- Department of Transport
- Transport for NSW
- Transport Service of New South Wales
- Sydney Ferries
- Roads and Maritime Services (period 1 July 2019 to 30 November 2019)

## **Accessibility**

If you experience difficulty accessing this content, please contact Elise Naylor, Director Statutory Finance, 02 8202 3146

[Elise.Naylor@transport.nsw.gov.au](mailto:Elise.Naylor@transport.nsw.gov.au)



# **Department of Transport**

Consolidated Annual Financial Statements

for the year ended 30 June 2020

## TABLE OF CONTENTS

---

Statement by the Secretary .....	2
Statement of comprehensive income .....	3
Statement of financial position .....	4
Statement of changes in equity .....	5
Statement of cash flows .....	7
1. Summary of significant accounting policies .....	8
2. Expenses excluding losses .....	18
3. Revenue .....	24
4. Gain/(loss) on disposal .....	31
5. Other gains/(losses) .....	31
6. Service Group Statements .....	32
7. Cash and cash equivalents .....	36
8. Receivables .....	38
9. Contract assets and liabilities .....	39
10. Inventories .....	40
11. Financial assets at fair value .....	40
12. Non-current assets held for sale .....	42
13. Other financial assets .....	43
14. Property, plant and equipment .....	44
15. Leases .....	55
16. Intangible assets .....	63
17. Other assets .....	65
18. Fair value measurement of non-financial assets .....	66
19. Payables .....	73
20. Borrowings .....	73
21. Employee benefits .....	76
22. Other provisions .....	90
23. Other liabilities .....	93
24. Commitments for expenditure .....	94
25. Contingent assets and contingent liabilities .....	94
26. Reconciliation of net cash flows from operating activities to net result .....	96
27. Non-cash financing and investing activities .....	96
28. Administered assets and liabilities .....	97
29. Correction of prior year balances .....	97
30. Financial instruments .....	100
31. Equity and reserves .....	115
32. Related party disclosures .....	116
33. After balance date events .....	117

Pursuant to section 45F of the Public Finance and Audit Act 1983, I state that:

- (a) The accompanying financial statements have been prepared in accordance with:
  - Applicable Australian Accounting Standards (which include Australian Accounting Interpretations);
  - The requirements of the Public Finance and Audit Act 1983 (the Act) and Public Finance and Audit Regulation 2015; and
  - The Treasurer's Directions issued under the Act;
- (b) The statements exhibit a true and fair view of the financial position as at 30 June 2020 and financial performance of the Department of Transport and the consolidated entity for the year then ended; and
- (c) There are no known circumstances, which would render any particulars included in the financial statements to be misleading or inaccurate.



Joost de Kock  
**Acting Secretary**

Date: 3 November 2020

**Department of Transport**  
**Statement of comprehensive income**  
for the year ended 30 June 2020

		<b>Consolidated Actual 2020 \$'000</b>	<b>Consolidated Restated 2019 \$'000</b>	<b>Parent Actual 2020 \$'000</b>	<b>Parent Actual 2019 \$'000</b>
	<b>Notes</b>				
<b>Expenses excluding losses</b>					
Operating expenses					
Employee related expenses	2(a)	3,130,988	2,974,313	716	708
Other operating expenses	2(b)	3,389,143	3,487,614	264	257
Depreciation and amortisation	2(d)	3,889,044	3,504,512	-	-
Grants and subsidies	2(e)	1,347,823	1,121,908	-	-
Finance costs	2(f)	494,969	375,856	-	-
Other expenses	2(g)	1,360,647	1,297,703	-	-
<b>Total expenses excluding losses</b>		<b>13,612,614</b>	<b>12,761,906</b>	<b>980</b>	<b>965</b>
<b>Revenue</b>					
Appropriation	3(a)	13,985,459	12,167,574	-	-
Sale of goods and services	3(b)	-	2,294,311	-	-
Sale of goods and services from contracts with customers	3(b)	1,862,105	-	-	-
Investment revenue	3(c)	199,720	216,106	-	-
Retained taxes, fees and fines	3(d)	44,633	28,768	-	-
Grants and contributions	3(e)	3,162,080	4,318,214	264	257
Acceptance by the Crown Entity of employee benefits and other liabilities	3(f)	80,935	108,810	67	72
Personnel service revenue	3(g)	-	-	649	636
Other revenue	3(h)	568,791	311,443	-	-
<b>Total revenue</b>		<b>19,903,723</b>	<b>19,445,226</b>	<b>980</b>	<b>965</b>
Gain/(loss) on disposal	4	(199,507)	(296,226)	-	-
Other gains/(losses)	5	(499,922)	(497,818)	-	-
Impairment losses on financial assets	8	(8,189)	(618)	-	-
<b>Net result</b>		<b>5,583,491</b>	<b>5,888,658</b>	<b>-</b>	<b>-</b>
<b>Other comprehensive income</b>					
<i>Items that may be reclassified subsequently to net result</i>					
Net gains/(losses) in commodity swaps and foreign exchange		(13,700)	14,852	-	-
<i>Items that will not be reclassified to net result</i>					
Net increase/(decrease) in asset revaluation surplus	14, 17	4,371,979	3,245,559	-	-
Remeasurement of defined benefit superannuation schemes	21	(7,316)	(304,084)	-	-
<b>Total other comprehensive income</b>		<b>4,350,963</b>	<b>2,956,327</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income</b>		<b>9,934,454</b>	<b>8,844,985</b>	<b>-</b>	<b>-</b>

The accompanying Notes form part of these financial statements.

See Note 29 for details regarding restated prior year balances.

**Department of Transport**  
**Statement of financial position**  
as at 30 June 2020

	Notes	Consolidated Actual 2020 \$'000	Consolidated Actual 2019 Restated \$'000	Consolidated Actual 1 July 2018 Restated \$'000	Parent Actual 2020 \$'000	Parent Actual 2019 \$'000
<b>ASSETS</b>						
<b>Current assets</b>						
Cash and cash equivalents	7	2,526,218	2,700,913	2,493,008	460	386
Receivables	8	999,857	1,183,938	1,100,022	26	100
Inventories	10	33,186	32,562	31,621	-	-
Financial assets at fair value	11	120,620	123,142	115,283	-	-
Non-current assets held for sale	12	55,305	31,472	1,644	-	-
Other financial assets	13	3,963	100,000	376,887	-	-
<b>Total current assets</b>		<b>3,739,149</b>	<b>4,172,027</b>	<b>4,118,465</b>	<b>486</b>	<b>486</b>
<b>Non-current assets</b>						
Receivables	8	3,720,505	2,717,870	1,590,674	-	-
Inventories	10	32,702	35,694	31,062	-	-
Financial assets at fair value	11	155	19,256	1,693	-	-
Other financial assets	13	256,027	237,226	223,998	-	-
Property plant & equipment						
Land and buildings	14	4,642,216	4,615,467	4,234,689	-	-
Plant and equipment	14	5,978,679	7,888,079	6,495,077	-	-
Infrastructure systems	14	157,220,783	144,584,720	133,035,393	-	-
Property, plant and equipment	14	167,841,678	157,088,266	143,765,159	-	-
Right of use assets	15	3,806,458	-	-	-	-
Intangible assets	16	1,493,424	1,484,928	1,676,639	-	-
Other assets	17	3,042,374	3,479,730	4,929,187	-	-
<b>Total non-current assets</b>		<b>180,193,323</b>	<b>165,062,970</b>	<b>152,218,412</b>	<b>-</b>	<b>-</b>
<b>Total assets</b>		<b>183,932,472</b>	<b>169,234,997</b>	<b>156,336,877</b>	<b>486</b>	<b>486</b>
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Payables	19	2,323,927	2,756,443	2,860,098	259	274
Contract liabilities	9	225,696	-	-	-	-
Borrowings	20	1,312,049	334,901	263,695	-	-
Employee benefits	21	890,217	801,142	772,203	227	212
Other provisions	22	153,036	72,959	70,591	-	-
Other liabilities	23	529,356	642,538	459,901	-	-
<b>Total current liabilities</b>		<b>5,434,281</b>	<b>4,607,983</b>	<b>4,426,488</b>	<b>486</b>	<b>486</b>
<b>Non-current liabilities</b>						
Contract liabilities	9	77,839	-	-	-	-
Borrowings	20	9,019,487	7,178,585	5,926,176	-	-
Employee benefits	21	1,342,604	1,334,576	1,041,558	-	-
Other provisions	22	58,762	100,164	53,570	-	-
Other liabilities	23	653,411	628,923	824,658	-	-
<b>Total non-current liabilities</b>		<b>11,152,103</b>	<b>9,242,248</b>	<b>7,845,962</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>		<b>16,586,384</b>	<b>13,850,231</b>	<b>12,272,450</b>	<b>486</b>	<b>486</b>
<b>Net assets</b>		<b>167,346,088</b>	<b>155,384,766</b>	<b>144,064,427</b>	<b>-</b>	<b>-</b>
<b>EQUITY</b>						
Accumulated funds		122,593,189	115,764,522	108,922,696	-	-
Reserves		36,207,298	32,992,647	30,418,717	-	-
Contributed capital		8,545,601	6,627,597	4,723,014	-	-
<b>Total equity</b>		<b>167,346,088</b>	<b>155,384,766</b>	<b>144,064,427</b>	<b>-</b>	<b>-</b>

The accompanying Notes form part of these financial statements.  
See Note 29 for details regarding restated prior year balances.

**Department of Transport**  
**Statement of changes in equity**  
for the year ended 30 June 2020

<b>Consolidated</b>	<b>Notes</b>	<b>Accumulated funds \$ '000</b>	<b>Asset revaluation surplus \$ '000</b>	<b>Other reserves \$ '000</b>	<b>Contributed capital \$ '000</b>	<b>Total equity \$ '000</b>
<b>Balance at 1 July 2019</b>		<b>115,699,009</b>	<b>34,143,188</b>	<b>16,586</b>	<b>6,627,597</b>	<b>156,486,380</b>
Restatement of infrastructure assets	29	65,513	(1,167,127)	-	-	(1,101,614)
<b>Restated balance at 1 July 2019</b>		<b>115,764,522</b>	<b>32,976,061</b>	<b>16,586</b>	<b>6,627,597</b>	<b>155,384,766</b>
<b>Net result for the year</b>		<b>5,583,491</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,583,491</b>
<b>Other comprehensive income</b>						
Net gains/(losses) in commodity swaps and foreign exchange		-	-	(13,700)	-	(13,700)
Net increase/(decrease) in asset revaluation surplus	14, 17	-	4,371,979	-	-	4,371,979
Remeasurement of defined benefit superannuation schemes		(7,316)	-	-	-	(7,316)
<b>Total other comprehensive income</b>		<b>(7,316)</b>	<b>4,371,979</b>	<b>(13,700)</b>	<b>-</b>	<b>4,350,963</b>
<b>Total comprehensive income for the year</b>		<b>5,576,175</b>	<b>4,371,979</b>	<b>(13,700)</b>	<b>-</b>	<b>9,934,454</b>
<b>Transactions with owners in their capacity as owners</b>						
Transfers to/from reserves to accumulated funds		1,143,628	(1,143,628)	-	-	-
Equity transfers	31	108,864	-	-	-	108,864
Capital contribution from NSW Treasury		-	-	-	1,918,004	1,918,004
<b>Balance at 30 June 2020</b>		<b>122,593,189</b>	<b>36,204,412</b>	<b>2,886</b>	<b>8,545,601</b>	<b>167,346,088</b>
<b>Balance at 1 July 2018</b>		<b>108,922,696</b>	<b>30,416,983</b>	<b>1,734</b>	<b>4,723,014</b>	<b>144,064,427</b>
Change in accounting policies	8	2,420	-	-	-	2,420
<b>Restated balance at 1 July 2018</b>		<b>108,925,116</b>	<b>30,416,983</b>	<b>1,734</b>	<b>4,723,014</b>	<b>144,066,847</b>
<b>Net result for the year</b>		<b>5,888,658</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,888,658</b>
<b>Other comprehensive income</b>						
Net gains/(losses) in commodity swaps and foreign exchange		-	-	14,852	-	14,852
Net increase/(decrease) in asset revaluation surplus	14, 17	-	3,245,559	-	-	3,245,559
Remeasurement of defined benefit superannuation schemes		(304,084)	-	-	-	(304,084)
<b>Total other comprehensive income</b>		<b>(304,084)</b>	<b>3,245,559</b>	<b>14,852</b>	<b>-</b>	<b>2,956,327</b>
<b>Total comprehensive income for the year</b>		<b>5,584,574</b>	<b>3,245,559</b>	<b>14,852</b>	<b>-</b>	<b>8,844,985</b>
<b>Transactions with owners in their capacity as owners</b>						
Transfers to/from reserves to accumulated funds		686,481	(686,481)	-	-	-
Equity transfers	31	568,351	-	-	-	568,351
Capital contribution from NSW Treasury		-	-	-	1,904,583	1,904,583
<b>Balance at 30 June 2019</b>		<b>115,764,522</b>	<b>32,976,061</b>	<b>16,586</b>	<b>6,627,597</b>	<b>155,384,766</b>

See Note 29 for details regarding restated prior year balances.



**Department of Transport**  
**Statement of changes in equity**  
for the year ended 30 June 2020

Parent	Accumulated funds \$ '000	Asset revaluation surplus \$ '000	Other reserves \$ '000	Total equity \$ '000
<b>Balance at 1 July 2019</b>	-	-	-	-
<b>Net result for the year</b>	-	-	-	-
<b>Other comprehensive income</b>				
Net gains/(losses) in commodity swaps and foreign exchange	-	-	-	-
Net increase/(decrease) in asset revaluation surplus	-	-	-	-
Remeasurement of defined benefit superannuation schemes	-	-	-	-
<b>Total other comprehensive income</b>	-	-	-	-
<b>Total comprehensive income for the year</b>	-	-	-	-
<b>Transactions with owners in their capacity as owners</b>				
Transfers to/from reserves to accumulated funds	-	-	-	-
Equity transfers	-	-	-	-
<b>Balance at 30 June 2020</b>	-	-	-	-
<b>Balance at 1 July 2018</b>	-	-	-	-
<b>Net result for the year</b>	-	-	-	-
<b>Other comprehensive income</b>				
Net gains/(losses) in commodity swaps and foreign exchange	-	-	-	-
Net increase/(decrease) in asset revaluation surplus	-	-	-	-
Remeasurement of defined benefit superannuation schemes	-	-	-	-
<b>Total other comprehensive income</b>	-	-	-	-
<b>Total comprehensive income for the year</b>	-	-	-	-
<b>Transactions with owners in their capacity as owners</b>				
Transfers to/from reserves to accumulated funds	-	-	-	-
Equity transfers	-	-	-	-
<b>Balance at 30 June 2019</b>	-	-	-	-

The accompanying Notes form part of these financial statements.

**Department of Transport**  
**Statement of cash flows**  
for the year ended 30 June 2020

	Notes	Consolidated Actual 2020 \$'000	Consolidated Actual 2019 \$'000	Parent Actual 2020 \$'000	Parent Actual 2019 \$'000
<b>Cash flows from operating activities</b>					
<b>Payments</b>					
Employee related		(2,950,977)	(2,859,052)	(634)	(622)
Grants and subsidies		(752,030)	(772,429)	-	-
Finance costs		(511,005)	(411,406)	-	-
Payments to suppliers		(5,475,699)	(4,992,818)	(279)	(223)
<b>Total payments</b>		<b>(9,689,711)</b>	<b>(9,035,705)</b>	<b>(913)</b>	<b>(845)</b>
<b>Receipts</b>					
Appropriation		13,985,459	12,167,574	-	-
Sale of goods and services		2,465,286	2,776,111	-	-
Retained taxes, fees and fines		44,633	28,768	-	-
Interest received		52,415	72,574	-	-
Grants and contributions		3,166,018	4,260,856	264	257
Personnel services		-	-	723	698
<b>Total receipts</b>		<b>19,713,811</b>	<b>19,305,883</b>	<b>987</b>	<b>955</b>
<b>Net cash flows from operating activities</b>	26	<b>10,024,100</b>	<b>10,270,178</b>	<b>74</b>	<b>110</b>
<b>Cash flows from investing activities</b>					
Proceeds from sale of property, plant and equipment, intangible assets and other assets		477,293	68,449	-	-
Purchases of property, plant and equipment, intangible assets and other assets		(12,336,730)	(12,240,097)	-	-
Proceeds/(purchase) of financial assets		117,430	130,000	-	-
Other		3,508	155,234	-	-
<b>Net cash flows from investing activities</b>		<b>(11,738,499)</b>	<b>(11,886,414)</b>	<b>-</b>	<b>-</b>
<b>Cash flows from financing activities</b>					
Proceeds from borrowings and advances		70,221	56,172	-	-
Repayment of borrowings and advances		(144,262)	(76,056)	-	-
Capital contribution from NSW Treasury		1,918,004	1,904,583	-	-
Payment of finance lease liabilities		-	(60,558)	-	-
Payment of principal portion of lease liabilities		(304,259)	-	-	-
<b>Net cash flows from financing activities</b>		<b>1,539,704</b>	<b>1,824,141</b>	<b>-</b>	<b>-</b>
<b>Net increase / (decrease) in cash</b>		<b>(174,695)</b>	<b>207,905</b>	<b>74</b>	<b>110</b>
Opening cash and cash equivalents		2,700,913	2,493,008	386	276
<b>Closing cash and cash equivalents</b>	7	<b>2,526,218</b>	<b>2,700,913</b>	<b>460</b>	<b>386</b>

The accompanying Notes form part of these financial statements.

## **1. Summary of significant accounting policies**

### **(a) Department of Transport – Reporting entity**

The Department of Transport (the Department or the parent entity) is a NSW government entity controlled by the NSW Total State Sector, which is the ultimate parent. The Department is a not-for-profit entity as profit is not its principal objective and it has no cash generating units. The parent entity has provided personnel services to Transport for NSW.

The Department of Transport as a reporting entity comprises all the entities under its control, namely:

Transport for NSW

Transport Service of New South Wales

Roads and Maritime Services (until 30 November 2019)

Sydney Ferries

State Transit Authority of NSW

Rail Corporation New South Wales (until 30 June 2020)

Sydney Trains

NSW Trains

Residual Transport Corporation

Sydney Metro

The Department of Transport and its controlled entities are collectively referred to as the consolidated entity.

The Transport Administration Amendment (RMS Dissolution) Bill 2019 dissolved Roads and Maritime Services (RMS) on 1 December 2019. On dissolution, RMS' assets, rights, liabilities and functions were transferred to Transport for NSW to be used, recovered or settled in the normal course of business by Transport for NSW. There was no impact on the financial statements of the consolidated entity as a result of this transaction.

On 1 July 2020, Rail Corporation New South Wales (RailCorp) was renamed the Transport Asset Holding Entity of New South Wales (TAHE) and converted to a statutory State Owned Corporation pursuant to the Transport Administration Act 1988 and the State Owned Corporations Act 1989. TAHE is not a controlled entity of Transport for NSW or the Department of Transport. TAHE may eventually hold additional public transport assets for the State, including public transport assets currently held by entities controlled by the consolidated entity. The transfer of assets is intended to occur progressively over a number of years if a decision is made to transfer public transport assets currently held by entities controlled by the consolidated entity into TAHE. The impact of the transition to TAHE is discussed further in Note 33 After balance date events.

The Transport Administration Act 1988 states that the affairs of Transport for NSW are to be managed and controlled by the Secretary. The Secretary is defined as the Secretary of the Department of Transport. Consistent with the Secretary's power of direction it is considered that the Department of Transport has control for the purposes of preparing consolidated financial statements for the above agencies and special purpose entities or divisions.

These consolidated financial statements of Department of Transport for the year ended 30 June 2020 were authorised for issue by the Secretary on the date the accompanying statement was signed.

### **(b) Principles of consolidation**

The consolidated financial statements comprise the financial statements of the parent entity and its controlled entities, after elimination of all inter-entity transactions and balances. The controlled entities are consolidated from the date the parent entity obtained control and until such time as control passes.

The financial statements of the controlled entities are prepared for the same reporting period as the parent entity, using generally consistent accounting practices. As a result no adjustments were required for any material dissimilar accounting policies.

## **1. Summary of significant accounting policies (cont'd)**

### **(c) Basis of preparation**

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

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations);
- the requirements of the Public Finance and Audit Act 1983 (the Act) and Public Finance and Audit Regulation 2015; and
- NSW Treasurer's Directions issued under the Act.

Property, plant and equipment, assets (or disposal groups) held for sale and certain financial assets and liabilities and other assets are measured at fair value. Borrowings are initially measured at the fair value of the consideration received and subsequently using the effective interest method. Other financial report items are prepared in accordance with the historical cost convention except where specified otherwise. All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

### **(d) Critical accounting estimates, judgements and assumptions**

In the application of accounting standards and NSW Treasurer's Directions issued under the Public Finance and Audit Act 1983, management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the current set of circumstances. Actual results may differ from these estimates.

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

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

- Property, plant and equipment - Note 14
- Other assets - Note 17
- Leases – Note 15
- Employee benefits - Note 21

### **(e) Statement of compliance**

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

### **(f) Accounting for the Goods and Services Tax (GST)**

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

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

Cash flows are included in the Statement of cash 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 Australian Taxation Office are classified as operating cash flows.

## **1. Summary of significant accounting policies (cont'd)**

### **(g) Foreign currency translation**

Transactions in foreign currencies are recorded using the spot rate at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the end of the reporting date. Differences arising on settlement or translation of monetary items are recognised in net result.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is recognised in other comprehensive income or net result, in line with the recognition of the gain or loss on the change in fair value of the item.

### **(h) 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. Comparatives have been adjusted to reflect prior period adjustments. Refer to Note 29.

As a result of the applying AASB 15 Revenue from Contracts with Customers, the consolidated entity is considered as an agent for providing some passenger services. The consolidated entity's revenue from some passenger services is not recognised as revenue from 2020, instead it is applied to offset the contract payment expenses disclosed under Note 2(g).

### **(i) Disaggregation of financial information by main activities of the consolidated entity**

The consolidated entity has disaggregated expenses and revenue and assets and liabilities by its main activities. The consolidated entity's main activities comprise:

Rail services	<ul style="list-style-type: none"><li>– Rail Corporation New South Wales</li><li>– Sydney Trains</li><li>– NSW Trains</li><li>– Transport for NSW manages light rail services</li><li>– Sydney Metro</li></ul>
Buses and related services	<ul style="list-style-type: none"><li>– State Transit Authority of NSW</li><li>– Transport for NSW manages bus transport services in the metropolitan, outer metropolitan and rural and regional areas of New South Wales</li></ul>
Road and maritime services	<ul style="list-style-type: none"><li>– Roads and Maritime Services (until 30 November 2019)</li><li>– Transport for NSW (from 1 December 2019)</li></ul>
Ferry services	<ul style="list-style-type: none"><li>– Sydney Ferries</li><li>– Transport for NSW manages ferry services performed by private operators</li></ul>
Integrated transport services	<ul style="list-style-type: none"><li>– Department of Transport</li><li>– Transport for NSW</li><li>– Transport Service of New South Wales</li></ul>

## **1. Summary of significant accounting policies (cont'd)**

### **(i) Disaggregation of financial information by main activities of the consolidated entity (cont'd)**

Integrated transport services activity is responsible for:

- (a) policy formulation;
- (b) program and contract management;
- (c) passenger transport compliance and regulation;
- (d) transport project development; and
- (e) Opal electronic ticketing system.

The expenses, revenue, assets and liabilities were allocated to these major activities on an actual basis using the financial statements of the parent entity and its controlled entities.

### **(j) Changes in accounting policy, including new or revised Australian Accounting Standards**

#### **(iii) Effective for the first time in 2020**

The consolidated entity applied AASB 15 Revenue from contracts with customers, AASB 1058 Income for not-for-profit entities, and AASB 16 Leases for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2020, but do not have a material impact on the financial statements of the consolidated entity.

#### **AASB 15 Revenue from contracts with customers (AASB 15)**

AASB 15 supersedes AASB 111 Construction Contracts, AASB 118 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

AASB 15 requires the consolidated entity to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures.

In accordance with the transition provisions in AASB 15, the consolidated entity has adopted AASB 15 retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application, i.e. 1 July 2019. Therefore comparatives for the year ended 30 June 2019 have not been restated.

The consolidated entity has used the transitional practical expedient permitted by the standard to reflect the aggregate effect of all of the modifications that occur before 1 July 2018 when:

- identifying the satisfied and unsatisfied performance obligations
- determining the transaction price
- allocating the transaction price to the satisfied and unsatisfied performance obligations.

The impact of applying the above practical expedients is not expected to significantly affect the financial statements.

## 1. Summary of significant accounting policies (cont'd)

### (j) Changes in accounting policy, including new or revised Australian Accounting Standards (cont'd)

#### (iii) Effective for the first time in 2020 (cont'd)

The effect of adopting AASB 15 is as follows:

Impact on the Statement of comprehensive income (increase/(decrease)):

<b>AASB 15 adoption impact</b>	<b>Notes</b>	<b>30 June 2020 AASB 15 \$'000</b>	<b>30 June 2020 Without adoption of AASB 15 \$'000</b>	<b>30 June 2020 Impact of AASB 15 \$'000</b>
<b>Revenue</b>				
Sale of goods and services	3(b)	1,862,105	2,008,697	(146,592)
<b>Expenses</b>				
Other expenses	2(g)	1,360,647	1,487,146	(126,499)
<b>Operating result</b>		<b>501,458</b>	<b>521,551</b>	<b>(20,093)</b>
<b>Net result</b>		<b>501,458</b>	<b>521,551</b>	<b>(20,093)</b>

Impact on Statement of financial position (increase/(decrease)):

<b>AASB 15 adoption impact</b>	<b>Notes</b>	<b>30 June 2020 AASB 15 \$'000</b>	<b>30 June 2020 Without adoption of AASB 15 \$'000</b>	<b>30 June 2020 Impact of AASB 15 \$'000</b>
<b>Total assets</b>		<b>183,932,472</b>	<b>183,932,472</b>	<b>-</b>
<b>Liabilities</b>				
Payables	19	2,323,927	2,327,278	(3,351)
Other liabilities	23	1,182,767	1,462,858	(280,091)
Contract liabilities	9	303,535	-	303,535
<b>Total liabilities</b>		<b>16,586,384</b>	<b>16,566,291</b>	<b>20,093</b>
<b>Total equity</b>		<b>167,346,088</b>	<b>167,366,181</b>	<b>(20,093)</b>

These adjustments mainly relate to the recognition of the passenger service revenue, where the consolidated entity is considered as an agent for providing some passenger services. Revenue from passenger services is now not recognised by the consolidated entity, instead it is applied to offset the contract payment expenses disclosed under Note 2(g). Additionally, funds received relating to specific performance obligation that the consolidated entity must perform are now recognised as revenue to the extent the obligations have been satisfied, with a corresponding balance sheet adjustment for any unspent receipts as contract liabilities. The adoption of AASB 15 also resulted in reclassification of liabilities associated in relation to consideration received in advance from customers and for accrued expenses for projects where milestones have not yet been met to 'Contract liabilities' from 'Payables' and 'Other liabilities'.

#### **AASB 1058 Income of not-for-profit entities (AASB 1058)**

AASB 1058 replaces most of the existing requirements in AASB 1004 Contributions. The scope of AASB 1004 is now limited mainly to contributions by owners (including parliamentary appropriations that satisfy the definition of a contribution by owners), administrative arrangements and liabilities of government departments assumed by other entities.

AASB 1058 applies to income with a donation component, i.e. transactions where the consideration to acquire an asset is significantly less than fair value principally to enable a not-for-profit entity to further its objectives; and volunteer services.

## **1. Summary of significant accounting policies (cont'd)**

### **(j) Changes in accounting policy, including new or revised Australian Accounting Standards (cont'd)**

#### **(iii) Effective for the first time in 2020 (cont'd)**

AASB 1058 adopts a residual approach, meaning that entities first apply other applicable Australian Accounting Standards (e.g. AASB 1004, AASB 15, AASB 16, AASB 9 and AASB 137) to a transaction before recognising income.

Not-for-profit entities need to determine whether a transaction is/contains a donation (accounted for under AASB 1058) or a contract with a customer (accounted for under AASB 15).

AASB 1058 requires recognition of receipt of an asset, after the recognition of any related amounts in accordance with other Australian Accounting Standards, as income:

- when the obligations under the transfer is satisfied, for transfers to enable an entity to acquire or construct a recognisable non-financial asset that will be controlled by the entity.
- immediately, for all other income within the scope of AASB 1058.

In accordance with the transition provisions in AASB 1058, the consolidated entity has adopted AASB 1058 retrospectively with the cumulative effect of initially applying the standard at the date of initial application, i.e. 1 July 2019, and the comparatives for the year ended 30 June 2019 are not restated. The consolidated entity has adopted the practical expedient in AASB 1058 whereby existing assets acquired for consideration significantly less than fair value principally to enable the consolidated entity to further its objectives, are not restated to their fair value.

The effect of adopting AASB 1058 is not material to the consolidated entity. No specific performance obligations were identified for revenue subject to AASB 1058.

### **AASB 16 Leases (AASB 16)**

AASB 16 supersedes AASB 117 Leases, Interpretation 4 Determining whether an Arrangement contains a Lease, Interpretation 115 Operating Leases – Incentives and Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

#### **Lessor accounting**

Lessor accounting under AASB 16 is substantially unchanged from AASB 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in AASB 117. Therefore, AASB 16 does not have a significant impact for leases where the entity is the lessor.

#### **Lessee accounting**

AASB 16 requires the consolidated entity to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under AASB 117. As the lessee, the consolidated entity recognises a lease liability and right of use asset at the inception of the lease. The lease liability is measured at the present value of the future lease payments, discounted using the interest rate implicit in the lease, or the lessee's incremental borrowing rate if the interest rate implicit in the lease cannot be readily determined. The corresponding right of use asset is measured at the value of the lease liability adjusted for lease payments before inception, lease incentives, initial direct costs and estimates of costs for dismantling and removing the asset or restoring the site on which it is located.



## 1. Summary of significant accounting policies (cont'd)

### (j) Changes in accounting policy, including new or revised Australian Accounting Standards (cont'd)

#### (iii) Effective for the first time in 2020 (cont'd)

The consolidated entity has adopted the partial retrospective option in AASB 16, where the cumulative effect of initially applying AASB 16 is recognised on 1 July 2019 and the comparatives for the year ended 30 June 2019 are not restated.

In relation to leases that had previously been classified as 'operating leases' under AASB 117, a lease liability is recognised at 1 July 2019 at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 1.70%.

The corresponding right of use asset is initially recorded on transition at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 30 June 2019. The exception is right of use assets that are subject to accelerated depreciation. These assets are measured at their fair value at 1 July 2019.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of AASB 16 are only applied after that date.

The consolidated entity elected to use the practical expedient to expense lease payments for lease contracts that, at their commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is valued at \$10,000 or under when new (low-value assets).

In applying AASB 16 for the first time, the consolidated entity has used the following practical expedients permitted by the standard:

- not reassess whether a contract is, or contains, a lease at 1 July 2019, for those contracts previously assessed under AASB 117 and Interpretation 4;
- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on its previous assessment on whether leases are onerous immediately before the date of initial application as an alternative to performing an impairment review;
- not recognise a lease liability and right of use asset for short-term leases that end within 12 months of the date of initial application;
- excluding the initial direct costs from the measurement of the right of use asset at the date of initial application; and
- using hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

The effect of adoption AASB 16 as at 1 July 2019 (increase/(decrease)) is, as follows:

<b>AASB 16 adoption impact</b>	<b>\$'000</b>
<b>Assets</b>	
Receivables	(9,608)
Property, plant and equipment	(2,839,829)
Right of use asset	3,380,409
<b>Total assets</b>	<b>530,972</b>
<b>Liabilities</b>	
Borrowings	530,972
<b>Total liabilities</b>	<b>530,972</b>
<b>Equity</b>	<b>-</b>

## 1. Summary of significant accounting policies (cont'd)

### (j) Changes in accounting policy, including new or revised Australian Accounting Standards (cont'd)

#### (iii) Effective for the first time in 2020 (cont'd)

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of 30 June 2019, as follows:

<b>AASB 16 adoption impact</b>	<b>\$'000</b>
<b>Lease liabilities</b>	
Operating lease commitments as at 30 June 2019 (GST included)	582,467
(Less): GST included in operating lease commitments	(50,443)
Operating lease commitments as at 30 June 2019 (GST excluded)	532,024
Weighted average incremental borrowing rate as at 1 July 2019	1.70%
Discounted operating lease commitments as at 1 July 2019	522,802
Add: commitments relating to leases previously classified as finance leases (GST excluded) <sup>1</sup>	2,914,067
(less:) commitments relating to leases transferred to other agencies as at 1 July 2019	(37,300)
(less:) commitments relating to short-term leases	(14,375)
(less:) commitments relating to leases of low-value assets	(718)
(less:) commitments relating to leases out of scope of AASB 16 <sup>2</sup>	(38,646)
Add/(less): contracts re-assessed as lease contracts not previously included as an operating lease commitment	26,673
Add: lease payments relating to renewal periods not included in operating lease commitments as at 30 June 2019	32,939
Add/(less): adjustments relating to changes in the index or rate affecting variable payments	39,597
<b>Lease liabilities as at 1 July 2019</b>	<b>3,445,039</b>

<sup>1</sup>These leases relate to lease liabilities as at 1 July 2019 that were previously recognised as finance leases. AASB 16 did not affect the valuation of these leases as at 1 July 2019.

<sup>2</sup>As the consolidated entity has not adopted AASB 16 on service concession assets that will be recognised under AASB 1059 Service Concession Arrangements: Grantors the lease liability balance as at 1 July 2019 will not agree to total leases per Note 20 Borrowings.

#### (iv) New Australian Accounting Standards issued but not yet effective

Australian Accounting Standards and Interpretations issued or revised but are not yet effective have not been early adopted in accordance with Treasury mandated policy.

The following new Australian Accounting Standards have not been applied and are not yet effective. The possible impact of these Standards in the period of initial application includes:

#### **AASB 1059 Service Concession Arrangements: Grantors (AASB 1059)**

AASB 1059 is effective from reporting periods commencing on or after 1 January 2020.

AASB 1059 addresses the accounting for a service concession arrangement by a grantor that is a public sector entity by prescribing the accounting for the arrangement from the grantor's perspective. It applies to arrangements that involve an operator providing public services related to a service concession asset on behalf of a public sector grantor for a specified period of time and managing at least some of those services. An arrangement within the scope of this Standard typically involves an operator constructing the assets used to provide the public service or upgrading the assets (for example, by increasing their capacity) and operating and maintaining the assets for a specified period of time. Such arrangements are often described as build-operate-transfer or rehabilitate-operate-transfer service concession arrangements or public-private partnerships (PPPs).

## 1. Summary of significant accounting policies (cont'd)

### (j) Changes in accounting policy, including new or revised Australian Accounting Standards (cont'd)

#### (iv) New Australian Accounting Standards issued but not yet effective (cont'd)

The Standard requires the grantor to:

- recognise a service concession asset constructed, developed or acquired from a third party by the operator;
- reclassify an existing asset as a service concession asset when it meets the criteria for recognition as a service concession asset;
- initially measure a service concession asset constructed, developed or acquired by the operator or reclassified by the grantor at current replacement cost in accordance with the cost approach to fair value in AASB 13 and subsequently measure it in accordance with AASB 116 or AASB 138; and
- recognise a corresponding liability measured initially at the fair value and subsequently at amortised cost/fair value depending on the nature of the liability.

Currently, under TPP 06-8 Accounting for Privately Financed Projects consolidated entity records, for its service concession arrangements for which it does not control demand risk, an increase in emerging asset and revenue until the end of the concession period at which point the assets revert back to consolidated entity. For availability privately financed projects, consolidated entity recognises assets and corresponding financial liabilities.

From 1 July 2020 the consolidated entity is required to record the value of the assets at current replacement cost during the period of construction along with a corresponding liability to the operator. Depreciation for the assets will also be recognised in consolidated entity's Statement of comprehensive income.

The estimated impact to consolidated entity's financial statements as at and for the year ending 30 June 2021 is as follows.

<b>AASB 1059 adoption impact</b>	<b>\$ billion</b>
Total assets	19.6
Total liabilities	17.3
<b>Net assets</b>	<b>2.3</b>
<b>Equity</b>	<b>2.3</b>
<b>Net result</b>	<b>(0.2)</b>

The impact represents management's preliminary estimates. It is possible that the amount recognised in the statement of financial position as at 1 July 2020 and the statement of comprehensive income for the period ended 30 June 2021 will differ from this estimate, as a result of further review of underlying data and contractual arrangements.

The impact on initial adoption of AASB 1059 to the consolidated entity shown in the table above is comprised of the following:

- Toll road assets, previously recognised as 'emerging interests in intangible private sector provided infrastructure (PSPI)' in accordance with TPP 06-8 Accounting for Privately Financed Projects, will be in scope of AASB 1059 from 1 July 2020. As a result of the application of AASB 1059, total assets could increase by \$16.5 billion, total liabilities by \$14.8 billion and the difference of \$1.7 billion will be recognised in accumulated funds. Further the net result for the year ending 30 June 2021 is expected to decrease by \$0.6 billion.
- Light rail assets relating to the Sydney Light Rail and the Inner West Light Rail are also in scope under service concession arrangements from 1 July 2020. As a result of the application of AASB 1059, assets of \$2.7 billion and liabilities of \$1.9 billion will be recognised, however the recognition of the assets and the liabilities will have no consequential impacts on the net result for the year ending 30 June 2021 as the underlying assets and liabilities are already carried at full value by the entity.

## 1. Summary of significant accounting policies (cont'd)

### (j) Changes in accounting policy, including new or revised Australian Accounting Standards (cont'd)

#### (iv) New Australian Accounting Standards issued but not yet effective (cont'd)

- The Public Private Partnership contracts with Northwest Rapid Transit relating to Metro Northwest and City and Southwest fall in the scope of AASB 1059. As a result of the application of AASB 1059 additional liabilities of \$0.6 billion and additional assets of \$0.4 billion will be recognised, with a corresponding decrease in equity of \$0.2 billion. This includes the reclassification of \$8.9 billion of property, plant and equipment and prepaid assets as service concession assets. Further the net result and total comprehensive result for the year ending 30 June 2021 is expected to increase by \$0.4 billion.
- The contract for the operation of ferry services in Sydney will be in scope of AASB 1059 from 1 July 2020. Existing assets of \$0.1 billion that the operator has the right to access to provide ferry services will be reclassified to service concession assets. The assets comprise existing property, plant and equipment and intangibles and as such there is no impact on net assets on initial adoption of AASB 1059. Subsequent to initial reclassification, the assets will continue to be measured under the existing accounting standards and therefore no impact to the net result is expected in the year ended 30 June 2021.

#### Other standards whose impact on initial application is not expected to be significant

The impact of the following standards and amendments in the period of initial application is not expected to be significant:

Standard	Applicable to annual reporting periods beginning on or after
AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material	1 January 2020
AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform	1 January 2020
AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current	1 January 2022

A number of other new standards or amendments to standards have been identified and assessed and it is expected that they will have no material impact on the financial statements of the consolidated entity.

**Department of Transport**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**2. Expenses excluding losses**

**(a) Employee related expenses**

	<b>Consolidated 2020 \$'000</b>	<b>Consolidated 2019 \$'000</b>	<b>Parent 2020 \$'000</b>	<b>Parent 2019 \$'000</b>
Salaries and wages (including annual leave)	2,528,531	2,370,161	586	575
Superannuation - defined benefit plans	46,807	49,058	-	-
Superannuation - defined contribution plans	193,697	172,971	24	24
Long service leave	121,219	153,432	67	72
Workers' compensation insurance	42,941	33,086	2	1
Payroll tax and fringe benefit tax	162,267	155,317	37	36
Redundancy payments	34,006	38,815	-	-
Other	1,520	1,473	-	-
<b>Employee related expenses</b>	<b>3,130,988</b>	<b>2,974,313</b>	<b>716</b>	<b>708</b>

Employee related costs of \$685.5 million (2019: \$618.4 million) (parent entity: nil (2019: nil)) have been capitalised in property, plant and equipment and intangible assets and are excluded from the above.

**Department of Transport**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**2. Expenses excluding losses (cont'd)**

**(b) Other operating expenses**

	<b>Consolidated 2020 \$'000</b>	<b>Consolidated 2019 \$'000</b>	<b>Parent 2020 \$'000</b>	<b>Parent 2019 \$'000</b>
Auditor's remuneration - audit of financial statements	3,345	2,933	264	257
Advertising and marketing	31,637	38,568	-	-
Cashback refund - M4/M5	112,050	118,159	-	-
Cleaning waste and pest control	56,008	46,828	-	-
Communications	42,012	42,592	-	-
Consultants and other contractors	979,497	938,727	-	-
Corporate management fees	203,868	215,287	-	-
Electricity, gas and water	143,247	153,165	-	-
Expenses relating to short term leases	24,053	-	-	-
Expenses relating to low value assets	5,422	-	-	-
External maintenance costs	599,296	607,318	-	-
Fleet hire and leasing charges including access fees	79,973	94,193	-	-
Fuel costs	60,123	62,641	-	-
General expenses	257,207	266,665	-	-
Information technology	253,814	279,367	-	-
Insurance	50,360	55,089	-	-
Internal audit fees	1,406	1,027	-	-
Land and buildings remediation	13,682	14,580	-	-
Legal services	28,290	22,199	-	-
Materials	184,640	178,334	-	-
Office expenses	61,489	60,671	-	-
Payments to councils and external bodies	12,764	21,899	-	-
Property charges	26,547	100,012	-	-
Security costs	33,433	31,754	-	-
Sydney Harbour Tunnel operating expenses	33,239	33,347	-	-
Taxes, rates and related charges	4,815	6,416	-	-
Travel expenses	18,268	18,621	-	-
Royalties and commissions	40,643	49,816	-	-
Special number plates concession fees	28,015	27,406	-	-
<b>Other operating expenses</b>	<b>3,389,143</b>	<b>3,487,614</b>	<b>264</b>	<b>257</b>

General expenses of \$257.2 million (2019: \$266.7 million) includes bus services for rail replacement, regional seniors travel card program, plant and equipment hire lease, training and development and amortisation of motorways prepayment.

2019 had the following reclassifications within other operating expenses:

- 1) \$166.8 million external maintenance costs reclassified to consultants and other contractors.
- 2) \$40.1 million of general expense, information technology and other contractors reclassified to corporate management fee.
- 3) \$12.5 million of electricity, gas and water, general expenses and security costs to property charges.

**Department of Transport**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**2. Expenses excluding losses (cont'd)**

**(c) Maintenance**

Included in total operating expenses are maintenance-related costs as follows:

	Notes	Consolidated 2020 \$'000	Consolidated 2019 \$'000	Parent 2020 \$'000	Parent 2019 \$'000
Operational maintenance		538,846	602,624	-	-
Fleet hire and other rental charges		53,765	51,029	-	-
Corporate services, information technology and telecommunications		39,102	62,959	-	-
Contractors and materials		683,157	600,747	-	-
Other		97,404	77,832	-	-
<b>Maintenance expense</b>		<b>1,412,274</b>	<b>1,395,191</b>	<b>-</b>	<b>-</b>
Employee related maintenance expense included in Note 2(a)		500,771	460,251	-	-
<b>Total maintenance expense including employee related</b>		<b>1,913,045</b>	<b>1,855,442</b>	<b>-</b>	<b>-</b>

2019 had \$166.8 million operational maintenance reclassified to contractors and materials.

**(d) Depreciation and amortisation**

	Notes	Consolidated 2020 \$'000	Consolidated 2019 \$'000	Parent 2020 \$'000	Parent 2019 \$'000
<b>Infrastructure systems:</b>					
Road and maritime infrastructure systems		1,447,272	1,457,442	-	-
Rail infrastructure systems		1,396,072	1,221,380	-	-
<b>Buildings:</b>					
Buildings		37,827	39,444	-	-
<b>Plant and equipment:</b>					
Rolling stock		213,530	235,481	-	-
Ferries		12,630	10,688	-	-
Buses		43,236	42,082	-	-
Plant and equipment		214,756	184,992	-	-
Finance leased buses		-	90,682	-	-
<b>Depreciation</b>	14	<b>3,365,323</b>	<b>3,282,191</b>	<b>-</b>	<b>-</b>
Right of use assets	15	271,836	-	-	-
<b>Amortisation:</b>					
Intangible assets		251,885	222,321	-	-
<b>Amortisation</b>	16	<b>251,885</b>	<b>222,321</b>	<b>-</b>	<b>-</b>
<b>Depreciation and amortisation</b>		<b>3,889,044</b>	<b>3,504,512</b>	<b>-</b>	<b>-</b>

Please refer to Note 14, 15 and 16 for recognition and measurement policies on depreciation and amortisation.

Depreciation has been restated to be \$52.3 million lower in the prior year. Refer to Note 29.

**Department of Transport**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**2. Expenses excluding losses (cont'd)**

**(e) Grants and subsidies**

	<b>Consolidated 2020 \$'000</b>	<b>Consolidated 2019 \$'000</b>	<b>Parent 2020 \$'000</b>	<b>Parent 2019 \$'000</b>
Taxi Transport Subsidy Scheme	40,685	42,159	-	-
Community transport groups	88,837	88,555	-	-
Private Vehicle Conveyance	13,347	20,600	-	-
Carparks and interchanges	6,726	6,622	-	-
Grants to local councils - maintenance of transport infrastructure	484,631	478,119	-	-
Grants to local councils & other parties - transfer of infrastructure assets <sup>1</sup>	595,794	340,311	-	-
National transport regulators	9,366	6,893	-	-
Road safety grant to NSW Police	27,786	36,527	-	-
Others	68,091	77,762	-	-
National Heavy Vehicle Regulator <sup>2</sup>	-	701	-	-
Point to point assistance package	12,560	23,659	-	-
<b>Grants and subsidies</b>	<b>1,347,823</b>	<b>1,121,908</b>	<b>-</b>	<b>-</b>

<sup>1</sup> Grants to local councils of roads and bridges have been restated to \$1.1 million higher than in the prior year. Refer to Note 29.

<sup>2</sup>Transport for NSW (previously Roads and Maritime Services to 30 November 2019) is no longer making a contribution to the National Heavy Vehicle Regulator since December 2018. Instead Heavy Vehicle Regulatory Charges are passed on directly from Transport for NSW to the National Heavy Vehicle Regulator.

**(f) Finance costs**

	<b>Consolidated 2020 \$'000</b>	<b>Consolidated 2019 \$'000</b>	<b>Parent 2020 \$'000</b>	<b>Parent 2019 \$'000</b>
Interest expense from lease liabilities	381,288	-	-	-
Interest expense from finance lease	-	277,731	-	-
Interest expenses on NSW TCorp borrowings	75,436	90,338	-	-
Interest expense on non-current provisions and liabilities	143	451	-	-
Other finance costs	38,102	7,336	-	-
<b>Finance costs</b>	<b>494,969</b>	<b>375,856</b>	<b>-</b>	<b>-</b>

In 2019 \$4.4 million borrowing costs have been capitalised in property, plant and equipment and intangible assets and are excluded from the above. No borrowing costs were capitalised in property, plant and equipment and intangible assets in 2020.



## 2. Expenses excluding losses (cont'd)

### (g) Other expenses

	<b>Consolidated 2020 \$'000</b>	<b>Consolidated 2019 \$'000</b>	<b>Parent 2020 \$'000</b>	<b>Parent 2019 \$'000</b>
Bus contract payments - metropolitan and outer metro bus operators	710,069	729,481	-	-
Bus contract payments - rural and regional bus operators	412,080	410,824	-	-
Major events - hire of bus and rail services	1,533	4,673	-	-
Ferry contract payments	106,497	87,636	-	-
Light rail contract payments	55,527	43,124	-	-
Nightride bus services	6,516	6,451	-	-
Metro contract payments <sup>1</sup>	68,425	15,514	-	-
<b>Other expenses</b>	<b>1,360,647</b>	<b>1,297,703</b>	<b>-</b>	<b>-</b>

<sup>1</sup>Metro service contract payments increased following the commencement of Metro Northwest in July 2019.

As a result of the application of AASB 15 Revenue from Contracts with Customers, the consolidated entity has been identified as acting as an agent for the purpose of collecting some passenger service revenue. Revenue from some passenger services is now not recognised by the entity, instead it is applied to offset the contract payment expenses.

### Recognition and measurement

#### (i) Employee related expenses

Employee related expenses include salaries, wages, leave entitlements, superannuation, workers' compensation insurance premium, payroll tax, fringe benefits tax and redundancies. For further details on the recognition and measurement of employee related expenses refer to employee benefits Note 21.

Some employee-related expenses are included in the construction costs of certain physical and non-physical assets and are, therefore, not included in employee related expenses.

#### (ii) Other operating expenses and maintenance

Other operating expenses generally represent the day-to-day running costs incurred in the normal operations of the consolidated entity. The recognition and measurement policy for non-employee provision expenses is detailed in Note 22.

External maintenance costs relate principally to rail, road and maritime infrastructure systems and do not include employee-related expenses (refer also to Note 14(xi)).

#### (iii) Grants and subsidies

Grants and subsidies generally comprise contributions in cash or in kind to various local government authorities and not-for-profit community organisations. The 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 the cash or assets. The transferred assets are measured at their fair value and transferred for nil consideration.

#### (iv) Finance costs

Finance costs comprise mainly interest on borrowings, lease liabilities and the unwinding of discounts on non-employee provisions. In accordance with Treasury's Mandate for the not-for-profit general government sector agencies, borrowing costs are expensed and recognised in the Statement of comprehensive income in the period in which they are incurred. This also includes any borrowing costs that relate to qualifying assets. Other entities controlled by the Department that are classified as non-general government sector capitalise borrowing costs that meet the definition of qualifying assets. Other borrowing costs are expensed as incurred.

## **2. Expenses excluding losses (cont'd)**

### **(v) Insurance**

The consolidated entity arranges insurance cover through a combination of the NSW Treasury Managed Fund, commercial insurers, private insurance companies, and self-insurance. Self-insurance is used for workers' compensation insurance cover by entities that hold a self-insurance licence with the State Insurance Regulatory Authority Work Cover Authority. The cost of insurance is expensed in the period to which the insurance cover relates.

### **(vi) Lease expenses**

Operating leases

#### **From 1 July 2019**

From 1 July 2019, the consolidated entity recognises the lease payments associated with the following types leases as an expense on a straight-line basis:

- Leases that meet the definition of short-term. i.e. where the lease term at commencement of the lease is 12 months or less. This excludes leases with a purchase option.
- Leases of assets that are valued at \$10,000 or under when new.

Variable lease payments not included in the measurement of the lease liability (i.e. variable lease payments that do not depend on an index or a rate, initially measured using the index or rate as at the commencement date). These payments are recognised in the period in which the event or condition that triggers those payments occurs.

#### **Up to 30 June 2019**

Up to 30 June 2019, operating lease payments are recognised as an operating expense in the Statement of Comprehensive Income on a straight-line basis over the lease term. An operating lease is a lease other than a finance lease.

### **(vii) Other expenses**

Other expenses include payments to bus, ferry and light rail operators for the provision of bus, ferry and light rail services in the metropolitan, regional and rural areas of New South Wales. These payments are made at the end of the month for services provided in that month and are expensed as incurred.

**Department of Transport**  
**Notes to the financial statements**  
for the year ended 30 June 2020

### 3. Revenue

#### Summary of compliance with financial directives

##### (a) Appropriation

	Consolidated 2020 \$'000	Consolidated 2020 \$'000	Consolidated 2019 \$'000	Consolidated 2019 \$'000
	Appropriation	Expenditure	Appropriation	Expenditure
Appropriations Act	14,143,868	13,985,459	11,317,874	12,167,574
Additional/(less) Appropriations	(203,318)	-	-	-
Section 4.13 GSF Act 2018 - exigencies of Government	128,810	-	-	-
Section 4.11 GSF Act 2018 - variations for annual appropriation for Commonwealth grants	29,018	-	-	-
Payments Variation under the Appropriation Act - transfers to/from agency	495,175	-	-	-
Supplementations (Appropriation Act S26 & 27)	-	-	967,048	-
<b>Total appropriations/ expenditure/ net claim on Consolidated Fund (includes transfer payments)</b>	<b>14,593,553</b>	<b>13,985,459</b>	<b>12,284,922</b>	<b>12,167,574</b>
Appropriation drawn down		13,985,459		12,167,574

	Consolidated 2020 \$'000	Consolidated 2019 \$'000
Appropriation (per Statement of comprehensive income)	13,985,459	12,167,574
Comprising:		
Recurrent appropriations	9,820,937	11,140,913
Capital appropriations	4,164,522	1,026,661
	<b>13,985,459</b>	<b>12,167,574</b>

The above note is based on the assumption that Consolidated Fund monies are spent first (except where otherwise identified or prescribed).

The consolidated entity receives its funding under appropriations from the Consolidated Fund. Appropriations for each financial year are set out in the Appropriation Act for that year. Due to COVID-19, the State Budget and related 2020-21 Appropriation Bill has been delayed and is anticipated to be tabled in Parliament in November/December 2020. However, pursuant to section 4.10 of the GSF Act, the Treasurer has authorised Ministers to spend specified amounts from Consolidated Fund. This authorisation is current from 1 July 2020 until the earlier of 31 December 2020 (or another day prescribed by the regulations) or enactment of the 2020-21 annual Appropriations Act.

**Department of Transport**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**3. Revenue (cont'd)**

**(b) Sale of goods and services from contracts with customers / Sale of goods and services**

	<b>Consolidated 2020 \$'000</b>	<b>Consolidated 2019 \$'000</b>	<b>Parent 2020 \$'000</b>	<b>Parent 2019 \$'000</b>
Passenger service revenue	1,008,256	1,370,190	-	-
Toll revenue including E-tag	136,002	163,425	-	-
Number plates	154,291	150,433	-	-
Fees earned from road and maritime infrastructure assets	74,201	71,805	-	-
Works and services including construction contract revenue	41,223	44,745	-	-
Third party insurance data access charges	4,781	4,539	-	-
Advertising	23,262	59,599	-	-
Publications	7,178	7,695	-	-
Fees for services rendered including salary recoupments	132,542	134,778	-	-
Access fees	141,878	176,228	-	-
Other	138,491	110,874	-	-
<b>Sale of goods and services</b>	<b>1,862,105</b>	<b>2,294,311</b>	<b>-</b>	<b>-</b>

Other revenue of \$138.5 million (2019: \$110.9 million) mainly includes early agreement termination fees earned in relation to WestConnex, revenue earned from Manly wharf settlement, revenue from Regional Roads Victoria for capital works, vending revenue, catering revenue, revenue from miscellaneous services such as license fees, registrations and inspections, sale of permits, cost recovery from other states for running rail services and sales of inventory, rail and quarry products.

As a result of the applying AASB 15 Revenue from Contracts with Customers, the consolidated entity is considered as an agent for providing some passenger services. The revenue from some passenger services (\$126.5 million in the year ended 30 June 2020) is not recognised as the consolidated entity's revenue, instead it is applied to offset the contract payment expenses disclosed under Note 2(g).

**Department of Transport**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**3. Revenue (cont'd)**

**(c) Investment revenue**

	<b>Consolidated 2020 \$'000</b>	<b>Consolidated 2019 \$'000</b>	<b>Parent 2020 \$'000</b>	<b>Parent 2019 \$'000</b>
Rental income	128,431	114,848	-	-
TCorp IM Funds designated at fair value through profit or loss	349	8,049	-	-
Interest income from financial assets not at fair value	49,401	74,221	-	-
Finance income on the net investment in the lease	1,382	1,389	-	-
Amortisation of zero interest Sydney Harbour Tunnel loan	12,046	11,247	-	-
Ferry lease revenue	8,111	6,352	-	-
<b>Investment revenue</b>	<b>199,720</b>	<b>216,106</b>	<b>-</b>	<b>-</b>

Rental income is related to other properties which are primarily held to support the core transport functions of the consolidated entity. The leasing of parts of these properties (\$128.4 million (2019: \$114.8 million)) is therefore, incidental to the core function of the consolidated entity. Accordingly, these properties are reported as property, plant and equipment (Note 14) in the Statement of financial position.

**(d) Retained taxes, fees and fines**

	<b>Consolidated 2020 \$'000</b>	<b>Consolidated 2019 \$'000</b>	<b>Parent 2020 \$'000</b>	<b>Parent 2019 \$'000</b>
Fines	20,167	22,255	-	-
Insurance claims and fees	24,466	6,513	-	-
<b>Retained taxes, fees and fines</b>	<b>44,633</b>	<b>28,768</b>	<b>-</b>	<b>-</b>

**(e) Grants and contributions**

	<b>Consolidated 2020 \$'000</b>	<b>Consolidated 2019 \$'000</b>	<b>Parent 2020 \$'000</b>	<b>Parent 2019 \$'000</b>
Community transport grants	75,948	73,418	-	-
NSW government agencies - others (non-transport)	131,989	111,349	-	-
Private firms and individuals	7,672	11,575	-	-
Grants from Transport for NSW	-	-	264	257
Crown Entity	2,935,367	4,059,081	-	-
Local councils	8,665	46,376	-	-
Other government agencies	2,439	16,415	-	-
<b>Grants and contributions</b>	<b>3,162,080</b>	<b>4,318,214</b>	<b>264</b>	<b>257</b>

Community transport grants of \$75.9 million (2019: \$73.4 million) represent grants received from the Department of Family and Community Services for the Commonwealth Home Support Program.

Other NSW Government grants of \$132.0 million (2018: \$111.3 million) include a capital contribution of \$15.8 million (2019: nil) from Infrastructure NSW (previously Urban Growth NSW Development Corporation) for the Sydney Metro City & South West project; \$86.5 million (2019: \$74.2 million) for Natural Disaster local council recoveries from the Office of Environmental Management; \$18.3 million (2019: \$18.0 million) for Botany Bay Ferry Infrastructure from Office of Environment and Heritage; \$2.1 million (2019: nil) for National Facial Biometric from NSW Police Force and \$9.2 million (2019: \$14.0 million) from Landcom for revenue recoupment of works performed.

**Department of Transport**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**3. Revenue (cont'd)**

**(e) Grants and contributions (cont'd)**

Grants of \$2,935.4 million (2019: \$4,059.1 million) from the Crown Entity were provided for: Sydney Metro City and Southwest project funded by Restart NSW \$1,438.6 million (2019: \$1,927.2 million), Roads and Maritime Services capital program \$1,093.4 million (2019: \$1,681.2 million), Northern Beaches B-line project \$ nil (2019: \$84.3 million), Parramatta Light Rail \$288.7 million (2019: \$253.3 million), redundancies \$32.8 million (2019: \$42.0 million) and other projects \$81.9 million (2019: \$71.0 million).

**(f) Acceptance by the Crown Entity of employee benefits and other liabilities**

	Consolidated 2020 \$'000	Consolidated 2019 \$'000	Parent 2020 \$'000	Parent 2019 \$'000
Superannuation - defined benefit	12,337	13,950	-	-
Long service leave	67,968	94,137	67	72
Payroll tax	630	723	-	-
<b>Acceptance by the Crown Entity of employee benefits and other liabilities</b>	<b>80,935</b>	<b>108,810</b>	<b>67</b>	<b>72</b>

**(g) Personnel service revenue**

	Consolidated 2020 \$'000	Consolidated 2019 \$'000	Parent 2020 \$'000	Parent 2019 \$'000
Fee for personnel services	-	-	649	636
<b>Personnel service revenue</b>	<b>-</b>	<b>-</b>	<b>649</b>	<b>636</b>

**(h) Other revenue**

	Notes	Consolidated 2020 \$'000	Consolidated 2019 \$'000	Parent 2020 \$'000	Parent 2019 \$'000
Value of emerging interests of private sector provided infrastructure <sup>1</sup>	17	449,225	270,836	-	-
Amortisation of deferred revenue on private sector provided infrastructure		21,598	19,032	-	-
M2 and Eastern Distributor promissory notes		4,318	1,782	-	-
Recognition of assets	14	91,615	13,461	-	-
Other		2,035	6,332	-	-
<b>Other revenue</b>		<b>568,791</b>	<b>311,443</b>	<b>-</b>	<b>-</b>

<sup>1</sup> In 2020, the consolidated entity recognised emerging revenue of \$158.4 million (2019: \$6.3 million) in relation to stage 1B of M4 Motorway Service Centre which opened to traffic on 13 July 2019.

### **3. Revenue (cont'd)**

#### **Recognition and measurement (cont'd)**

##### **Recognition and measurement**

Until 30 June 2019, income was recognised in accordance with AASB 111 Construction Contracts, AASB 118 Revenue and AASB 1004 Contributions. From 1 July 2019, income is recognised in accordance with the requirements of AASB 15 Revenue from Contracts with Customers or AASB 1058 Income of Not-for-Profit Entities, dependent on whether there is a contract with a customer defined by AASB 15 Revenue from Contracts with Customers. Comments regarding the accounting policies for the recognition of income are discussed below.

Income is recognised and measured at the fair value of the consideration or contribution received or receivable to the extent that it is probable that the economic benefits will flow to the consolidated entity and the income can be reliably measured. The following specific criteria must also be met before income is recognised:

##### **(i) Parliamentary appropriations and contributions**

Parliamentary appropriations and contributions are generally recognised as income when the consolidated entity obtains control over the assets comprising the appropriations/contributions. Control over appropriations/contributions is normally obtained upon the receipt of cash. At the end of the financial year unspent appropriations are recognised as liabilities rather than income, as the authority to spend the money lapses and the unspent amount must be repaid to the Consolidated Fund in the next financial year. The liability is disclosed under other liabilities (Note 23).

After AASB 15 and AASB 1058 became effective on 1 July 2019, the treatment of appropriations remains the same, because appropriations do not contain an enforceable sufficiently specific performance obligation as defined by AASB 15.

##### **(ii) Sale of goods and services**

###### **From 1 July 2019**

Revenue from sale of goods is recognised as when the consolidated entity satisfies a performance obligation by transferring the promised goods. The consolidated entity typically satisfies its performance obligations when the control of the goods is transferred to the customers. The payments are typically due when performance obligations have been satisfied.

Revenue from these sales is recognised based on the price specified in the contract, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as the sales are made with a short credit term. No volume discount or warranty is provided on the sale.

Revenue from rendering of services is recognised when the consolidated entity satisfies the performance obligation by transferring the promised services. The consolidated entity typically satisfies its performance obligations when the service is provided or over the term of the service period. The payments are typically due after performance obligations have been satisfied. The revenue is measured at the transaction price agreed under the contract. No element of financing is deemed present as payments are due when service is provided.

Refer Note 9 for the disclosure of the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period, and when the consolidated entity expects to recognise the unsatisfied portion as revenue.

### **3. Revenue (cont'd)**

#### **Recognition and measurement (cont'd)**

##### **(ii) Sale of goods and services (cont'd)**

###### **Until 30 June 2019**

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

Revenue from the provision of services (including passenger transport services) is recognised as revenue when the service is provided or by reference to the stage of completion.

##### **(iii) Retained taxes, fines and fees**

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

##### **(iv) Investment revenue**

###### **Interest income**

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For financial assets that become credit-impaired, the effective interest rate is applied to the amortised cost of the financial asset (i.e. after deducting the loss allowance for expected credit losses).

###### **Rental income**

Rental income arising from operating leases is accounted for on a straight-line basis over the lease term.

##### **(v) Grants and contributions receivable**

###### **From 1 July 2019**

###### **Grants to acquire/construct a recognisable non-financial asset**

Income from grants to acquire/construct a recognisable non-financial asset to be controlled by the consolidated entity is recognised when the consolidated entity satisfies its obligations under the transfer. The consolidated entity satisfies the performance obligation under the transfer over time as the non-financial assets are being constructed. The percentage of cost incurred is used to recognise income, because this most closely reflects the progress to completion.

If the grants are not under an enforceable agreement, the income is recognised when the consolidated entity obtains control over the grant. Control is normally obtained upon the receipt of cash or other financial assets.

###### **Other grants**

Revenue from grants with sufficiently specific performance obligations is recognised as and when the consolidated entity satisfies a performance obligation by transferring the promised goods. Revenue from these grants is recognised based on the grant amount specified in the funding agreement/funding approval, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as funding payments are usually received in advance or shortly after the relevant obligation is satisfied.



### **3. Revenue (cont'd)**

#### **Recognition and measurement (cont'd)**

##### **(v) Grants and contributions receivable (cont'd)**

Refer Note 9 for transaction price allocated to the performance obligations that have not been satisfied at the end of the year and when it is expected to be recognised as revenue.

Income from grants without sufficiently specific performance obligations is recognised when the consolidated entity obtains control over the granted assets (e.g. cash).

Receipt of volunteer services is recognised when and only when the fair value of those services can be reliably determined and the services would have been purchased if not donated. Volunteer services measured at fair value. Besides the volunteer service recognised, the consolidated entity also receives volunteer services from various organisations. Receipt of these services is not recognised because the services would not have been purchased if not donated.

#### **Until 30 June 2019**

Grants and contributions comprising mainly cash and in kind contributions are recognised as revenues when control passes to the consolidated entity and the contractual obligations have been satisfied. In kind contributions (e.g. roads and bridges from local councils) are measured at fair value on transfer and recognised as property, plant and equipment (Note 14).

##### **(vi) Other revenue**

Other revenue includes mainly the value of the emerging rights to receive private sector provided infrastructure. The non-cash revenue is also recognised as an asset (Note 17).

**Department of Transport**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**4. Gain/(loss) on disposal**

		Consolidated 2020 \$'000	Consolidated 2019 \$'000	Parent 2020 \$'000	Parent 2019 \$'000
	Notes				
Proceeds from asset sales		430,698	628,966	-	-
Net carrying amount of property, plant and equipment disposed	14	(620,233)	(923,804)	-	-
Net carrying amount of intangible assets disposed	16	(4,786)	(1,235)	-	-
Gain/(loss) on disposal of non-current assets held for sale		2,760	(153)	-	-
Net gain/(loss) on disposal of right of use assets	15	(7,946)	-	-	-
<b>Gain/(loss) on disposal</b>		<b>(199,507)</b>	<b>(296,226)</b>	<b>-</b>	<b>-</b>

**5. Other gains/(losses)**

		Consolidated 2020 \$'000	Consolidated 2019 \$'000	Parent 2020 \$'000	Parent 2019 \$'000
	Notes				
Revaluation decrement	14	-	(182,174)	-	-
Impairment losses on property, plant and equipment	14	(489,217)	(276,281)	-	-
<b>Property, plant and equipment</b>		<b>(489,217)</b>	<b>(458,455)</b>	<b>-</b>	<b>-</b>
Impairment losses on right of use assets	15	(80,810)	-	-	-
<b>Right of use assets</b>		<b>(80,810)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Impairment reversals/(losses)	16	1,670	(2,005)	-	-
Realised losses on TCorp borrowings <sup>1</sup>		-	(40,730)	-	-
Realised gains on other financial instruments <sup>2</sup>		70,308	94	-	-
Unrealised derivative (losses)/gains		(1,873)	3,278	-	-
<b>Other</b>		<b>70,105</b>	<b>(39,363)</b>	<b>-</b>	<b>-</b>
<b>Other gains/(losses)</b>		<b>(499,922)</b>	<b>(497,818)</b>	<b>-</b>	<b>-</b>

<sup>1</sup>Realised gains on TCorp borrowings in 2019 of \$40.7 million related to the transfer of TCorp borrowings of \$571.0 million from Transport for NSW to the Crown Finance Entity (refer Note 31). Losses of \$40.7 million were realised upon transfer representing the difference between the carrying amount of the debt (measured at amortised cost) and the fair value at the date of transfer.

<sup>2</sup>Realised gains on other financial instruments in 2020 include \$59.4 million relate to refinancing of Sydney Metro Northwest debt during the year (2019: nil) and \$10.9m million (2019: \$94k) in relation to realised gains and losses on FX and commodity swaps.

**Department of Transport**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**6. Service Group Statements**

Consolidated	Rail services		Buses and related services		Road and maritime services		Ferry services		Integrated transport services		Total	
Expenses and Income	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Expenses excluding losses</b>												
<b>Operating Expenses</b>												
Employee related expenses	1,492,393	1,379,407	-	-	-	-	-	-	1,638,595	1,594,906	3,130,988	2,974,313
Other operating expenses	1,568,395	1,539,441	98,707	114,124	1,291,283	1,180,040	985	1,989	429,773	652,020	3,389,143	3,487,614
Depreciation and amortisation	1,815,667	1,549,887	149,141	135,119	1,548,170	1,526,619	13,400	12,317	362,666	280,570	3,889,044	3,504,512
Grants and subsidies	380,125	312,951	168,020	174,973	751,441	564,501	-	1,778	48,237	67,705	1,347,823	1,121,908
Finance costs	416,484	271,324	53,894	53,791	19,969	21,834	-	-	4,622	28,907	494,969	375,856
Other expenses	123,972	15,615	1,129,827	1,194,198	348	257	106,500	87,633	-	-	1,360,647	1,297,703
<b>Total expenses excluding losses</b>	<b>5,797,036</b>	<b>5,068,625</b>	<b>1,599,589</b>	<b>1,672,205</b>	<b>3,611,211</b>	<b>3,293,251</b>	<b>120,885</b>	<b>103,717</b>	<b>2,483,893</b>	<b>2,624,108</b>	<b>13,612,614</b>	<b>12,761,906</b>
<b>Revenue</b>												
Appropriation	3,370,490	3,116,837	1,107,042	1,744,431	6,867,220	5,907,382	-	498	2,640,707	1,398,426	13,985,459	12,167,574
Sale of goods and services	-	1,304,538	-	242,996	-	643,397	-	6,352	-	103,380	-	2,300,663
Sale of goods services from contracts with customers	1,025,129	-	199,279	-	619,556	-	-	-	18,141	-	1,862,105	-
Investment revenue	106,591	87,570	433	851	77,587	99,334	8,429	587	6,680	21,412	199,720	209,754
Retained taxes, fees and fines	26,732	7,188	125	110	17,773	21,470	-	-	3	-	44,633	28,768
Grants and contributions	1,768,781	2,264,099	5,712	84,300	1,242,514	1,860,046	-	-	145,073	109,769	3,162,080	4,318,214
Acceptance by the Crown Entity of employee benefits and other liabilities	-	255	-	-	-	-	-	-	80,935	108,555	80,935	108,810
Other revenue	12,168	9,974	-	-	517,067	295,138	1,819	6,331	37,737	-	568,791	311,443
<b>Total revenue</b>	<b>6,309,891</b>	<b>6,790,461</b>	<b>1,312,591</b>	<b>2,072,688</b>	<b>9,341,717</b>	<b>8,826,767</b>	<b>10,248</b>	<b>13,768</b>	<b>2,929,276</b>	<b>1,741,542</b>	<b>19,903,723</b>	<b>19,445,226</b>
Gain/(loss) on disposal	(182,099)	(342,066)	(6,792)	554	132,436	(1,661)	-	-	(143,052)	46,947	(199,507)	(296,226)
Other gains/(losses)	62,457	(174,194)	-	(9,944)	(276,729)	(214,304)	1,670	(16,510)	(287,320)	(82,866)	(499,922)	(497,818)
Impairment losses on financial assets	(1,530)	(128)	-	-	(6,659)	(490)	-	-	-	-	(8,189)	(618)
<b>Net result</b>	<b>391,683</b>	<b>1,205,448</b>	<b>(293,790)</b>	<b>391,093</b>	<b>5,579,554</b>	<b>5,317,061</b>	<b>(108,967)</b>	<b>(106,459)</b>	<b>15,011</b>	<b>(918,485)</b>	<b>5,583,491</b>	<b>5,888,658</b>
Net gains/(losses) in commodity swaps and foreign exchange	(13,671)	15,142	-	-	-	-	-	-	(29)	(290)	(13,700)	14,852
Net increase/(decrease) in asset revaluation surplus	2,017,996	(259,320)	-	-	2,327,119	3,504,879	2,261	-	24,603	-	4,371,979	3,245,559
Remeasurement of defined benefit superannuation schemes	(7,694)	(275,376)	-	-	-	-	-	-	378	(28,708)	(7,316)	(304,084)
<b>Total other comprehensive income</b>	<b>1,996,631</b>	<b>(519,554)</b>	<b>-</b>	<b>-</b>	<b>2,327,119</b>	<b>3,504,879</b>	<b>2,261</b>	<b>-</b>	<b>24,952</b>	<b>(28,998)</b>	<b>4,350,963</b>	<b>2,956,327</b>
<b>Total comprehensive income</b>	<b>2,388,314</b>	<b>685,894</b>	<b>(293,790)</b>	<b>391,093</b>	<b>7,906,673</b>	<b>8,821,940</b>	<b>(106,706)</b>	<b>(106,459)</b>	<b>39,963</b>	<b>(947,483)</b>	<b>9,934,454</b>	<b>8,844,985</b>

The names and purposes of each service group are summarised in Note (1(i)).

The following lines in 2019 have been restated in Road and maritime services: 1) Depreciation and amortisation - \$52.3 million lower; 2) Grants and subsidies - \$1.1 million higher; 3) Grants and contributions - \$0.6 million higher; 4) Other gains/(losses) - \$1.7 million lower losses; 5) Net increase/(decrease) in asset revaluation surplus - \$178.8 million lower surplus. Refer to Note 29.

**Department of Transport**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**6. Service Group Statements (cont'd)**

Consolidated	Rail services		Buses and related services		Road and maritime services		Ferry services		Integrated transport services		Total	
Administered expenses and income	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Administered expenses</b>												
Transfer payments - taxes, fees and fines	-	-	-	-	-	-	-	-	4,637	5,823	4,637	5,823
<b>Administered expenses</b>	-	-	-	-	-	-	-	-	<b>4,637</b>	<b>5,823</b>	<b>4,637</b>	<b>5,823</b>
<b>Administered income</b>												
Transfer receipts - taxes, fees and fines	-	-	-	-	3,769,882	3,742,462	-	-	4,657	7,507	3,774,539	3,749,969
<b>Administered income</b>	-	-	-	-	<b>3,769,882</b>	<b>3,742,462</b>	-	-	<b>4,657</b>	<b>7,507</b>	<b>3,774,539</b>	<b>3,749,969</b>
<b>Administered income less expenses</b>	-	-	-	-	<b>3,769,882</b>	<b>3,742,462</b>	-	-	<b>20</b>	<b>1,684</b>	<b>3,769,902</b>	<b>3,744,146</b>

The names and purposes of each service group are summarised in Note (1(i)).

**Department of Transport**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**6. Service Group Statements (cont'd)**

<b>Consolidated</b>	<b>Rail services</b>		<b>Buses and related services</b>		<b>Road and maritime services</b>		<b>Ferry services</b>		<b>Integrated transport services</b>		<b>Total</b>	
<b>Assets and liabilities</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Assets</b>												
<b>Current assets</b>												
Cash and cash equivalents	746,297	693,525	34,577	85,080	788,073	1,021,551	50,978	45,186	906,293	855,571	2,526,218	2,700,913
Receivables	260,602	283,683	4,231	727	527,910	660,285	301	682	206,813	238,561	999,857	1,183,938
Inventories	21,153	19,583	7,354	7,932	4,679	5,047	-	-	-	-	33,186	32,562
Financial assets at fair value	650	3,519	-	-	119,970	119,614	-	-	-	9	120,620	123,142
Non-current assets held for sale	44,976	31,169	-	-	10,329	303	-	-	-	-	55,305	31,472
Other financial assets	3,963	100,000	-	-	-	-	-	-	-	-	3,963	100,000
<b>Total current assets</b>	<b>1,077,641</b>	<b>1,131,479</b>	<b>46,162</b>	<b>93,739</b>	<b>1,450,961</b>	<b>1,806,800</b>	<b>51,279</b>	<b>45,868</b>	<b>1,113,106</b>	<b>1,094,141</b>	<b>3,739,149</b>	<b>4,172,027</b>
<b>Non-current assets</b>												
Receivables	1,154,917	755,913	-	-	2,565,588	1,961,957	-	-	-	-	3,720,505	2,717,870
Inventories	32,702	35,694	-	-	-	-	-	-	-	-	32,702	35,694
Financial assets at fair value	155	19,256	-	-	-	-	-	-	-	-	155	19,256
Other financial assets	-	-	-	-	252,385	236,021	-	-	3,642	1,205	256,027	237,226
Land and buildings	488,130	623,637	479,848	299,408	3,477,809	3,503,038	9,501	8,548	186,928	180,836	4,642,216	4,615,467
Plant and equipment	4,663,583	5,930,568	409,698	1,036,807	129,740	114,348	69,652	76,759	706,006	729,597	5,978,679	7,888,079
Infrastructure systems	53,491,984	37,687,684	2,875	148,381	100,996,239	103,363,851	-	-	2,729,685	3,384,804	157,220,783	144,584,720
<b>Property, plant and equipment</b>	<b>58,643,697</b>	<b>44,241,889</b>	<b>892,421</b>	<b>1,484,596</b>	<b>104,603,788</b>	<b>106,981,237</b>	<b>79,153</b>	<b>85,307</b>	<b>3,622,619</b>	<b>4,295,237</b>	<b>167,841,678</b>	<b>157,088,266</b>
Right of use assets	2,168,567	-	757,047	-	191,746	-	-	-	689,098	-	3,806,458	-
Intangible assets	566,332	554,010	7,110	11,340	274,050	230,781	27,624	24,255	618,308	664,542	1,493,424	1,484,928
Other assets	262,629	1,141,077	-	-	2,779,745	2,338,653	-	-	-	-	3,042,374	3,479,730
<b>Total non-current assets</b>	<b>62,828,999</b>	<b>46,747,839</b>	<b>1,656,578</b>	<b>1,495,936</b>	<b>110,667,302</b>	<b>111,748,649</b>	<b>106,777</b>	<b>109,562</b>	<b>4,933,667</b>	<b>4,960,984</b>	<b>180,193,323</b>	<b>165,062,970</b>
<b>Total assets</b>	<b>63,906,640</b>	<b>47,879,318</b>	<b>1,702,740</b>	<b>1,589,675</b>	<b>112,118,263</b>	<b>113,555,449</b>	<b>158,056</b>	<b>155,430</b>	<b>6,046,773</b>	<b>6,055,125</b>	<b>183,932,472</b>	<b>169,234,997</b>

The names and purposes of each service group are summarised in Note (1(i)).

The following lines in 2019 have been restated: 1) Infrastructure systems in Road and maritime services - \$1,101.6 million lower. Refer to Note 29.

**Department of Transport**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**6. Service Group Statements (cont'd)**

<b>Consolidated</b>	<b>Rail services</b>		<b>Buses and related services</b>		<b>Road and maritime services</b>		<b>Ferry services</b>		<b>Integrated transport services</b>		<b>Total</b>	
<b>Assets and liabilities (cont'd)</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Liabilities</b>												
<b>Current liabilities</b>												
Payables	624,668	613,037	9,421	46,466	1,014,919	1,203,128	3,390	1,671	671,529	892,141	2,323,927	2,756,443
Contract liabilities	3,444	-	-	-	221,888	-	-	-	364	-	225,696	-
Borrowings	1,010,166	161,424	131,366	105,418	124,766	68,059	-	-	45,751	-	1,312,049	334,901
Employee benefits	563,160	517,482	-	-	107	269	-	-	326,950	283,391	890,217	801,142
Other provisions	65,465	19,260	1,544	3,966	79,789	37,233	637	-	5,601	12,500	153,036	72,959
Other liabilities	12,584	181,148	-	-	111,194	246,406	2,274	3,212	403,304	211,772	529,356	642,538
<b>Total current liabilities</b>	<b>2,279,487</b>	<b>1,492,351</b>	<b>142,331</b>	<b>155,850</b>	<b>1,552,663</b>	<b>1,555,095</b>	<b>6,301</b>	<b>4,883</b>	<b>1,453,499</b>	<b>1,399,804</b>	<b>5,434,281</b>	<b>4,607,983</b>
<b>Non-current liabilities</b>												
Contract liabilities	20,000	-	-	-	57,839	-	-	-	-	-	77,839	-
Borrowings	7,279,609	6,235,244	780,665	766,826	250,221	176,515	-	-	708,992	-	9,019,487	7,178,585
Employee benefits	1,148,995	1,133,632	-	-	-	-	-	-	193,609	200,944	1,342,604	1,334,576
Other provisions	26,359	30,495	701	441	18,389	60,228	-	-	13,313	9,000	58,762	100,164
Other liabilities	2,868	627	-	-	650,498	628,251	-	-	45	45	653,411	628,923
<b>Total non-current liabilities</b>	<b>8,477,831</b>	<b>7,399,998</b>	<b>781,366</b>	<b>767,267</b>	<b>976,947</b>	<b>864,994</b>	<b>-</b>	<b>-</b>	<b>915,959</b>	<b>209,989</b>	<b>11,152,103</b>	<b>9,242,248</b>
<b>Total liabilities</b>	<b>10,757,318</b>	<b>8,892,349</b>	<b>923,697</b>	<b>923,117</b>	<b>2,529,610</b>	<b>2,420,089</b>	<b>6,301</b>	<b>4,883</b>	<b>2,369,458</b>	<b>1,609,793</b>	<b>16,586,384</b>	<b>13,850,231</b>
<b>Net assets</b>	<b>53,149,322</b>	<b>38,986,969</b>	<b>779,043</b>	<b>666,558</b>	<b>109,588,653</b>	<b>111,135,360</b>	<b>151,755</b>	<b>150,547</b>	<b>3,677,315</b>	<b>4,445,332</b>	<b>167,346,088</b>	<b>155,384,766</b>

The names and purposes of each service group are summarised in Note (1(i)).

**Department of Transport**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**7. Cash and cash equivalents**

	<b>Consolidated 2020 \$'000</b>	<b>Consolidated 2019 \$'000</b>	<b>Parent 2020 \$'000</b>	<b>Parent 2019 \$'000</b>
Cash at bank and on hand	2,423,122	2,651,803	460	386
Public revenue bank account	78,773	24,938	-	-
Security deposits	24,323	24,172	-	-
<b>Cash and cash equivalents</b>	<b>2,526,218</b>	<b>2,700,913</b>	<b>460</b>	<b>386</b>

For the purposes of the Statement of cash flows, cash and cash equivalents include cash at bank, cash on hand, on call deposits, and investments in NSW TCorp.

Cash and cash equivalent assets recognised in the Statement of financial position is reconciled at the end of the financial period to the Statement of cash flows as follows:

	<b>Consolidated 2020 \$'000</b>	<b>Consolidated 2019 \$'000</b>	<b>Parent 2020 \$'000</b>	<b>Parent 2019 \$'000</b>
Cash and cash equivalents (per Statement of financial position)	2,526,218	2,700,913	460	386
<b>Closing cash and cash equivalents (per Statement of cash flows)</b>	<b>2,526,218</b>	<b>2,700,913</b>	<b>460</b>	<b>386</b>

Refer Note 30 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

**Credit standby arrangements and loan facilities with NSW TCorp**

Details of credit standby arrangements available to and used by the consolidated entity are provided under financial instruments (Note 30(c)).

**Restricted cash and cash equivalents**

Cash and cash equivalent assets include restricted cash of \$590.8 million (2019: \$520.7 million) (parent entity: nil (2019: nil)) which can only be used for specific purposes and are, therefore, not available to fund the ongoing operations of the consolidated entity.

This consists of funds quarantined specially in relation to the following:

	<b>Consolidated 2020 \$'000</b>	<b>Consolidated 2019 \$'000</b>
Parking Space Levy	117,973	115,578
Community Transport Groups	12,797	14,158
Railway Contribution Deed	148	5
E-Tag Deposit	65,988	57,268
Maritime Waterways Fund	357,990	293,736
Funds related to land acquisition by the State	35,908	39,901
Rental Bonds	-	12
<b>Restricted cash and cash equivalents</b>	<b>590,804</b>	<b>520,658</b>

Parking Service levy funds can only be used for the purposes outlined in Section 11(3) of the Parking Space Levy Act 2009 and therefore are not available to fund the ongoing operations of Transport for NSW.

## **7. Cash and cash equivalents (cont'd)**

### **Restricted cash and cash equivalents (cont'd)**

The Transport component of the Home and Community Care program is jointly funded by the NSW and Commonwealth governments. The program provides funding for the delivery of services to assist frail aged and younger people with disabilities, and their carers. These funds are required to be quarantined for specific use as defined by the terms and conditions for Home and Community Care Funding, including for the provisions of transport services by Community Transport Groups.

Since 2003, North Sydney Council has been administering the Railway Contributions Deed which requires development applications for additional non-residential floor space to contribute costs towards the 2010 upgrade of North Sydney train station. A rate is applied per square metre of additional floor space and monies go to Transport for NSW.

Holders of E-tags provide an initial amount as 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 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. They are controlled by Roads and Maritime Services 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. Transactions on this account are restricted to activity relating to land acquisitions.

Rental bonds are held against Roads and Maritime Services properties that are leased to various customers. The funds are interest-bearing and are due to customers at the end of the lease period. Transactions on these accounts are restricted to rental payments.

### **Recognition and measurement**

Cash and cash equivalents in the Statement of financial position comprise cash at bank and in hand and NSW Treasury Corporation cash facility. These deposits have an original maturity of three months or less, are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. The NSW Treasury Corporation short-term deposits are designated at fair value through the profit and loss. The movement in the fair value of these deposits is reported as investment revenue. Term deposits greater than 90 days are classified as other financial assets.

For the purposes of the Statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.



**Department of Transport**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**8. Receivables**

	<b>Consolidated 2020 \$'000</b>	<b>Consolidated 2019 \$'000</b>	<b>Parent 2020 \$'000</b>	<b>Parent 2019 \$'000</b>
Trade receivables from contracts with customers	114,090	-	-	-
Sale of goods and services	-	72,296	-	-
Goods and Services Tax recoverable	366,576	411,972	23	26
Prepayments - upfront contribution to private motorways	19,977	15,393	-	-
Prepayments - others	242,197	273,538	-	-
Income receivable	109,270	109,372	-	-
Other receivables <sup>1</sup>	161,012	306,681	3	74
Investment income receivable	531	3,544	-	-
	<b>1,013,653</b>	<b>1,192,796</b>	<b>26</b>	<b>100</b>
Less: Allowance for expected credit loss	(13,796)	(8,858)	-	-
<b>Current receivables</b>	<b>999,857</b>	<b>1,183,938</b>	<b>26</b>	<b>100</b>
<b>*Movement in the allowance for expected credit losses</b>				
Balance at 30 June 2018	-	(11,395)	-	-
Amount restated through opening accumulated funds	-	2,420	-	-
Balance at 1 July	(8,858)	(8,975)	-	-
Amounts written off during the year	3,251	8	-	-
Amounts recovered during the year	-	727	-	-
Increase in allowance recognised in net results	(8,189)	(618)	-	-
<b>Balance at 30 June</b>	<b>(13,796)</b>	<b>(8,858)</b>	<b>-</b>	<b>-</b>
Finance leases	25,407	25,710	-	-
Other receivables <sup>1</sup>	1,129,509	708,202	-	-
Prepayments - upfront contribution to private motorways <sup>2</sup>	2,561,465	1,944,719	-	-
Prepayments - others	4,124	39,239	-	-
<b>Non-current receivables</b>	<b>3,720,505</b>	<b>2,717,870</b>	<b>-</b>	<b>-</b>

<sup>1</sup> Other current receivables in the prior year included sales proceeds of \$81.1 million in relation to the sale of the Hill Road site at Wentworth Point that were received in July 2019. The prior year balance also included \$109.0 million of advance payments made to contractors due to be repaid to Sydney Metro: of this, \$76.0 million was received in January 2020 and the remaining \$33.0 million amount was capitalised to the cost of the project.

Other non-current receivables include proceeds receivable from external parties under the Integrated Station Development arrangements in Sydney Metro of \$1,078.3 million (2019: \$613.9 million) and grants receivable from Infrastructure NSW (previously Urban Growth NSW Development Corporation) of \$99.6 million (2019: \$94.3 million).

<sup>2</sup> Non-current prepayments include \$1,747.4 million (2019: \$1,124.3 million) for WestConnex and \$814.1 million (2019: \$820.5 million) for NorthConnex.

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired, are disclosed in Note 30.

**Recognition and measurement**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value, usually based on the transaction cost. Trade receivables that do not contain a significant financing component are measured at the transaction price.

## 8. Receivables (cont'd)

### Recognition and measurement (cont'd)

#### Subsequent measurement

The consolidated entity holds receivables with the objective to collect the contractual cash flows and therefore measures them at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

#### Impairment

The consolidated entity recognises an allowance for expected credit losses (ECLs) for all debt financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows and the cash flows that the entity expects to receive, discounted at the original effective interest rate.

For trade receivables, the consolidated entity applies a simplified approach in calculating ECLs. The consolidated entity recognises a loss allowance based on lifetime ECLs at each reporting date. The consolidated entity has established a provision matrix based on its historical credit loss experience for trade receivables, adjusted for forward-looking factors specific to the receivable.

## 9. Contract assets and liabilities

		<b>Consolidated</b>	<b>Consolidated</b>	<b>Parent</b>	<b>Parent</b>
		<b>2020</b>	<b>1 July 2019</b>	<b>2020</b>	<b>1 July 2019</b>
			<b>adjusted for</b>		<b>adjusted for</b>
			<b>AASB 15</b>		<b>AASB 15</b>
	<b>Notes</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Contract liabilities - current		225,696	8,232	-	-
Contract liabilities - non current		77,839	-	-	-
<b>Contract liabilities</b>		<b>303,535</b>	<b>8,232</b>	<b>-</b>	<b>-</b>
<b>Contract receivables</b>	8	<b>114,090</b>	<b>49,325</b>	<b>-</b>	<b>-</b>

### Recognition and measurement

Contract liabilities relate to consideration received in advance from customers in respect of licence fees and toll revenue, funding received in advance for the design and construction of certain developments and other receipts in advance for services yet to be performed. Contract liabilities also include accrued expenses for projects where milestones have not yet been met. The balance of contract liabilities at 30 June 2020 is driven by the amount of revenue that is prepaid by customers before they are utilised. The contract liability balance has increased during the year because of increase in revenue received in advance relating to various contracts with external parties.

	<b>2020</b>
	<b>\$'000</b>
Revenue recognised that was included in the contract liability at the beginning of the year	3,458
Revenue recognised from performance obligations satisfied in previous periods	-
Transaction price allocated to the remaining performance obligations from contracts with customers	303,535

The transaction price allocated to the remaining performance obligations relates to various contracts with external parties.

**Department of Transport**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**10. Inventories**

	<b>Consolidated 2020 \$'000</b>	<b>Consolidated 2019 \$'000</b>	<b>Parent 2020 \$'000</b>	<b>Parent 2019 \$'000</b>
Materials, spare parts and other stores	45,212	44,809	-	-
Less: Provision for obsolescence	(12,026)	(12,247)	-	-
<b>Current inventories held for distribution</b>	<b>33,186</b>	<b>32,562</b>	<b>-</b>	<b>-</b>
Materials, spare parts and other stores	32,702	35,694	-	-
<b>Non-current inventories held for distribution</b>	<b>32,702</b>	<b>35,694</b>	<b>-</b>	<b>-</b>

**Recognition and measurement**

Generally inventories are held for distribution (consumed in the ordinary activities of the consolidated entity). Inventories held for distribution are stated at cost, adjusted when applicable, for any loss of service potential. A loss of service potential is identified and measured based on the existence of a current replacement cost that is lower than the carrying amount. Costs are assigned to inventory using the weighted average, First-In-First-Out or specific identification methods depending on the nature of the inventory.

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Current replacement cost is the cost the consolidated entity would incur to acquire the asset.

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.

**11. Financial assets at fair value**

	<b>Consolidated 2020 \$'000</b>	<b>Consolidated 2019 \$'000</b>	<b>Parent 2020 \$'000</b>	<b>Parent 2019 \$'000</b>
Derivatives	656	3,528	-	-
TCorpIM Funds (medium and long-term growth facilities)	119,964	119,614	-	-
<b>Current financial assets at fair value</b>	<b>120,620</b>	<b>123,142</b>	<b>-</b>	<b>-</b>
Derivatives	155	19,256	-	-
<b>Non-current financial assets at fair value</b>	<b>155</b>	<b>19,256</b>	<b>-</b>	<b>-</b>

Refer to Note 30 for further information regarding credit risk, liquidity risk, and market risk arising from financial instruments.

Sydney Trains, Transport for NSW and Sydney Metro are the only group entities that use derivative financial instruments. These activities are carried out in accordance with the Treasury Management Policies of each entity which establish a prudential framework covering policies, best practice, internal controls and reporting systems for the management of financial risk within the entities' operations. These policies cover specific areas such as foreign exchange risk, interest rate risk, commodity risk, credit risk, use of derivative financial instruments and investment of excess funds. The reporting entities have derivative financial instruments as an asset and liability.

## **11. Financial assets at fair value (cont'd)**

These policies comply strictly with the internal policies and guidelines within the broad framework of the NSW "Treasury Management Policy" (TPP 07-07). Accounting for Treasury instruments is in accordance with NSW Treasury Accounting Policy, "Accounting for Financial Instruments" (TPP 19-05). Treasury instruments approved for the management of financial risk are in accordance with the Public Authorities (Financial Arrangements) Act 1987.

Derivative financial instruments are used to hedge against exposures to foreign currency risk on overseas purchase commitments and on commodity price risk on forecast distillate and electricity purchases (where applicable).

Forward foreign exchange contracts are used to hedge against currency risk on firm commitments for the purchase of goods or services from overseas suppliers. These contracts entail a right to receive a fixed amount of foreign currency at a specified future date, which is offset by an obligation to pay a fixed amount of domestic currency at that time.

### **Recognition and measurement**

The consolidated entity's financial assets at fair value are classified, at initial recognition, as either "subsequently measured at fair value through other comprehensive income" or "subsequently measured at fair value through profit or loss".

Transaction costs of financial assets carried at fair value through profit or loss are expensed in net results. Transaction costs of financial assets carried at fair value through other comprehensive income are included as part of their fair value and amortised to net results using the effective interest method.

- Financial assets at fair value through other comprehensive income

The consolidated entity measures financial assets at fair value through other comprehensive income when they are held for both collection of contractual cash flows and for selling the financial assets, and where the assets' cash flows represent solely payments of principal and interest.

Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in net results. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to net results and recognised in other gains/(losses).

Interest income from these financial assets is included in investment revenue using the effective interest method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of comprehensive income.

- Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value under AASB 9 Financial Instruments.

Financial assets are held for trading if acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. TCorpIM Funds are managed and their performance is evaluated on a fair value basis and therefore the business model is neither to hold to collect contractual cash flows or sell the financial asset. Hence these investments are mandatorily required to be measured at fair value through profit or loss.

Notwithstanding the criteria to be classified at amortised cost or at fair value through other comprehensive income, financial assets may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

## 11. Financial assets at fair value (cont'd)

### Recognition and measurement (cont'd)

A gain or loss on a financial asset that is subsequently measured at fair value through profit or loss is recognised in net results and presented net within other gains/(losses), except for TCorpIM Funds that are presented in 'investment revenue' in the period in which it arises.

#### (i) 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 consolidated 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 net result for the year.

When an available-for-sale financial asset is impaired, the amount of the cumulative loss is removed from equity and recognised in the net result for the year, based on the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss previously recognised in the net result for the year.

Any reversals of impairment losses are reversed through the net result for the year, where there is objective evidence, except reversals of impairment losses on an investment in an equity instrument classified as available-for-sale must be made through the reserve. 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.

## 12. Non-current assets held for sale

	<b>Consolidated 2020 \$'000</b>	<b>Consolidated 2019 \$'000</b>	<b>Parent 2020 \$'000</b>	<b>Parent 2019 \$'000</b>
Land and buildings held for sale	55,305	31,422	-	-
Plant and equipment	-	50	-	-
<b>Non-current assets held for sale</b>	<b>55,305</b>	<b>31,472</b>	<b>-</b>	<b>-</b>

The assets held for sale relate to property, plant and equipment that have been determined as being surplus to operating needs. In such cases, sales are expected to be realised within the next reporting period.

### Recognition and measurement

Certain non-current assets (or disposal groups) are classified as held for sale, where their carrying amount will be recovered principally through a sale transaction, not through continuing use.

Non-current assets (or disposal groups) held for sale are recognised at the lower of carrying amount and fair value less costs to sell, in accordance with AASB 5 Non-Current Assets held for Sale and Discontinued Operations. These assets are not depreciated while they are classified as held for sale.

**Department of Transport**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**13. Other financial assets**

	<b>Consolidated 2020 \$'000</b>	<b>Consolidated 2019 \$'000</b>	<b>Parent 2020 \$'000</b>	<b>Parent 2019 \$'000</b>
Other loans and deposits <sup>1</sup>	-	100,000	-	-
Energy certificates - at cost <sup>2</sup>	3,963	-	-	-
<b>Current other financial assets</b>	<b>3,963</b>	<b>100,000</b>	<b>-</b>	<b>-</b>
Loan to Sydney Harbour Tunnel Company Limited <sup>3</sup>	188,812	176,766	-	-
Promissory notes <sup>4</sup>	63,574	59,255	-	-
Interest free advances to taxi operators <sup>5</sup>	3,641	1,205	-	-
<b>Non-current other financial assets</b>	<b>256,027</b>	<b>237,226</b>	<b>-</b>	<b>-</b>

Refer to Note 30 for further information regarding credit risk, liquidity risk, and market risk arising from financial instruments.

<sup>1</sup> Other loans and deposits in 2019 of \$100.0 million related to short-term deposits of \$100.0 million held with Westpac that were reverted to cash upon maturity and not renewed.

<sup>2</sup> Energy certificates of \$4.0 million (2019: nil) relate to large-scale generation certificates (LGCs). The consolidated entity acquires LGCs under the provisions of the Large-Scale Renewable Energy Target (LRET) scheme that mandates retailers and large customers purchase a share of their electricity supply requirements from renewable energy resources; and surrenders the required amount volume of LGCs to meet its target. The LGCs are acquired solely to satisfy these obligations.

<sup>3</sup> This loan is considered to be part of the consolidated entity's interest in the Sydney Harbour Tunnel and at reporting date has been valued on a net present value (NPV) basis. The loan is due for repayment on 31 December 2022.

<sup>4</sup> Promissory notes relate to amounts receivable under the Private Sector Road Toll agreement in respect of the M2 Motorway and Eastern Distributor. The promissory notes are redeemable at the earlier of the achievement of a certain Internal Rate of Return (IRR) or the end of the respective concession period.

<sup>5</sup> The consolidated entity provides repayable interest-free loans to assist taxi operators (in rural and regional NSW) to make taxis wheel-chair accessible. The consolidated entity holds bills of sale as security for these advances and has recorded its financial interests in the vehicles in the Register of Encumbered Vehicles.

**Recognition and measurement**

Loans, promissory notes, held-to-maturity investments and other recoverable amounts are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are initially measured at fair value plus any transaction costs and subsequently measured at amortised cost (as they are held for collection of contractual cash flows solely representing payments of principal and interest). Impairment losses are presented as separate line item in the statement of comprehensive income. Any gain or loss arising on derecognition is recognised directly in net results and presented in other gains / (losses).

Large-scale generation certificates (LGC) used solely to satisfy the consolidated entity's retail sales commitments and surrender obligations are measured at cost.

Please refer to Note 11(i) for recognition and measurement regarding impairment of financial assets.

**Department of Transport**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**14. Property, plant and equipment**

**(a) Total property, plant and equipment**

Consolidated	Infrastructure systems				Plant and equipment						Total	Total property, plant and equipment
	Land and buildings	Road and maritime systems	Rail systems	Total	Plant and equipment	Finance leased buses	Rolling stock	Leased rolling stock	Buses	Ferries		
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
<b>At 30 June 2020</b>												
Gross carrying amount	9,685,127	131,505,412	95,044,803	226,550,215	2,240,695	-	7,796,773	-	1,098,568	307,600	11,443,636	247,678,978
Accumulated depreciation and impairment	(5,042,911)	(30,315,465)	(39,013,967)	(69,329,432)	(981,077)	-	(3,493,953)	-	(747,843)	(242,084)	(5,464,957)	(79,837,300)
<b>Net carrying amount</b>	<b>4,642,216</b>	<b>101,189,947</b>	<b>56,030,836</b>	<b>157,220,783</b>	<b>1,259,618</b>	<b>-</b>	<b>4,302,820</b>	<b>-</b>	<b>350,725</b>	<b>65,516</b>	<b>5,978,679</b>	<b>167,841,678</b>
<b>At 30 June 2019</b>												
Gross carrying amount	9,727,818	123,427,692	85,773,129	209,200,821	1,868,359	1,357,309	7,071,614	2,363,001	1,167,021	305,274	14,132,578	233,061,217
Accumulated depreciation and impairment	(5,112,351)	(28,978,018)	(35,638,083)	(64,616,101)	(779,729)	(656,464)	(3,279,373)	(458,059)	(838,035)	(232,839)	(6,244,499)	(75,972,951)
<b>Net carrying amount</b>	<b>4,615,467</b>	<b>94,449,674</b>	<b>50,135,046</b>	<b>144,584,720</b>	<b>1,088,630</b>	<b>700,845</b>	<b>3,792,241</b>	<b>1,904,942</b>	<b>328,986</b>	<b>72,435</b>	<b>7,888,079</b>	<b>157,088,266</b>

There was nil (2019: nil) property, plant and equipment held by the parent.

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 18.

Infrastructure systems 'Gross carrying amount' and 'Accumulated depreciation and impairment' have been restated to be \$2,018.7 million and \$917.1 million, respectively, lower than in the prior year. Refer to Note 29.

**Department of Transport**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**14. Property, plant and equipment (cont'd)**

**Consolidated – Reconciliation of total property, plant and equipment**

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:

Consolidated	Infrastructure systems				Plant and equipment						Total	Total property, plant and equipment
	Land and buildings	Road and maritime systems	Rail systems	Total	Plant and equipment	Finance leased buses	Rolling stock	Leased rolling stock	Buses	Ferries		
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
<b>At 30 June 2020</b>												
Net carrying amount at start of year	4,615,467	95,551,288	50,135,046	145,686,334	1,088,630	700,845	3,792,241	1,904,942	328,986	72,435	7,888,079	158,189,880
Restatement of infrastructure assets	-	(1,101,614)	-	(1,101,614)	-	-	-	-	-	-	-	(1,101,614)
Restated net carrying amount at start of year	4,615,467	94,449,674	50,135,046	144,584,720	1,088,630	700,845	3,792,241	1,904,942	328,986	72,435	7,888,079	157,088,266
Additions	378,861	6,569,157	6,254,514	12,823,671	113,909	-	114,718	-	67,005	4,794	300,426	13,502,958
Recognition of assets	1,246	87,095	3,274	90,369	-	-	-	-	-	-	-	91,615
Revaluation increment/(decrement) recognised in equity	(228,770)	2,094,301	2,469,138	4,563,439	950	-	22,654	-	-	917	24,521	4,359,190
Disposals	(103,680)	-	(504,927)	(504,927)	(8,057)	-	(1,379)	-	(2,190)	-	(11,626)	(620,233)
Impairment losses	(1,306)	(149,393)	(337,925)	(487,318)	-	-	(593)	-	-	-	(593)	(489,217)
Assets transferred (to)/from non-current assets held for sale	(51,077)	-	-	-	(170)	-	-	-	-	-	(170)	(51,247)
Reclassification between PPE classes	204,605	3,489	(1,055,726)	(1,052,237)	258,762	-	588,710	-	160	-	847,632	-
Reclassifications (to)/from intangible assets	-	(53)	(72,249)	(72,302)	25,979	-	-	-	-	-	25,979	(46,323)
Reclassifications (to)/from other assets	(241,522)	(196,621)	909,664	713,043	(5,614)	(700,845)	-	(1,904,942)	-	-	(2,611,401)	(2,139,880)
Depreciation expense	(37,827)	(1,447,272)	(1,396,071)	(2,843,343)	(214,756)	-	(213,531)	-	(43,236)	(12,630)	(484,153)	(3,365,323)
Increase/(decrease) in net assets from equity transfer	108,864	-	-	-	-	-	-	-	-	-	-	108,864
Transfer to councils, NSW government agencies & other parties	(2,645)	(220,430)	(373,902)	(594,332)	(15)	-	-	-	-	-	(15)	(596,992)
<b>Net carrying amount at 30 June</b>	<b>4,642,216</b>	<b>101,189,947</b>	<b>56,030,836</b>	<b>157,220,783</b>	<b>1,259,618</b>	<b>-</b>	<b>4,302,820</b>	<b>-</b>	<b>350,725</b>	<b>65,516</b>	<b>5,978,679</b>	<b>167,841,678</b>



**Department of Transport**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**14. Property, plant and equipment (cont'd)**

**Consolidated – Reconciliation of total property, plant and equipment (prior year)**

Consolidated – Reconciliation	Infrastructure systems				Plant and equipment						Total	Total property, plant and equipment
	Land and buildings	Road and maritime systems	Rail systems	Total	Plant and equipment	Finance leased buses	Rolling stock	Leased rolling stock	Buses	Ferries		
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
<b>At 30 June 2019</b>												
Net carrying amount at start of year	4,234,689	88,383,777	45,627,964	134,011,741	732,997	610,679	2,430,489	2,254,285	375,753	90,874	6,495,077	144,741,507
Restatement of infrastructure assets	-	(976,348)	-	(976,348)	-	-	-	-	-	-	-	(976,348)
Restated net carrying amount at start of year	4,234,689	87,407,429	45,627,964	133,035,393	732,997	610,679	2,430,489	2,254,285	375,753	90,874	6,495,077	143,765,159
Additions	667,587	5,133,851	5,084,491	10,218,342	138,540	158,780	1,033,833	-	36,430	6,754	1,374,337	12,260,266
Recognition of infrastructure assets	8,506	2,036	-	2,036	550	-	2,369	-	-	-	2,919	13,461
Revaluation increment/(decrement) recognised in equity	(434,315)	3,554,277	427,110	3,981,387	27,783	-	(43,549)	(285,747)	-	-	(301,513)	3,245,559
Revaluation increment/(decrement) recognised in net result	-	-	-	-	-	-	(182,174)	-	-	-	(182,174)	(182,174)
Disposals	(9,078)	-	(902,895)	(902,895)	(4,998)	-	(6,714)	-	(119)	-	(11,831)	(923,804)
Impairment losses	-	(214,304)	(47,472)	(261,776)	-	-	-	-	-	(14,505)	(14,505)	(276,281)
Assets transferred (to)/from non-current assets held for sale	(67,531)	-	(107)	(107)	(50)	-	-	-	-	-	(50)	(67,688)
Reclassification between PPE classes	254,940	30,185	(1,341,419)	(1,311,234)	148,551	22,068	912,547	14,124	(40,996)	-	1,056,294	-
Reclassifications (to)/from intangible assets	(345)	(278)	248,501	248,223	239,420	-	(196,799)	-	-	-	42,621	290,499
Reclassifications (to)/from other assets	-	14,971	2,566,581	2,581,552	-	-	-	-	-	-	-	2,581,552
Depreciation expense	(39,444)	(1,457,442)	(1,221,380)	(2,678,822)	(184,992)	(90,682)	(157,761)	(77,720)	(42,082)	(10,688)	(563,925)	(3,282,191)
Increase/(decrease) in net assets from equity transfer	(2,661)	-	-	-	-	-	-	-	-	-	-	(2,661)
Transfer to and from local councils	3,119	(21,051)	(306,328)	(327,379)	(9,171)	-	-	-	-	-	(9,171)	(333,431)
<b>Net carrying amount at 30 June</b>	<b>4,615,467</b>	<b>94,449,674</b>	<b>50,135,046</b>	<b>144,584,720</b>	<b>1,088,630</b>	<b>700,845</b>	<b>3,792,241</b>	<b>1,904,942</b>	<b>328,986</b>	<b>72,435</b>	<b>7,888,079</b>	<b>157,088,266</b>

Infrastructure systems has been restated to be \$1,101.6 million lower than in the prior year. The following lines have been restated:

- Revaluation increment/(decrement) recognised in equity - \$178.8 million lower
- Impairment – \$1.7 million higher
- Depreciation - \$52.3 million lower
- Transfer to local councils – \$0.5 million lower
- Restatement of opening balance - \$976.3 million decrease

Refer to Note 29.

#### **14. Property, plant and equipment (cont'd)**

The reclassifications between property, plant and equipment classes comprise mainly transfer of infrastructure systems to land and buildings, and plant equipment in a number of controlled entities in 2020 and 2019.

Reclassification to intangible assets mainly comprises the transfer of Sydney Light Rail right of use easement, and Electronic Ticketing System Transition for Transport for NSW.

Certain roads, rail systems and land and buildings were transferred to and from councils and other parties.

- a) Revaluations on land and buildings were undertaken in a number of the controlled entities in 2020 and 2019. The fair value of such assets is stated at fair value using either the direct comparison approach or current replacement cost (CRC).
- b) Revaluations on certain infrastructure assets including rail infrastructure, maritime assets and Newcastle Light Rail were performed in 2020.
- c) Maritime assets revaluation include wharves and jetties, seawalls, dredging, maritime roads and navigational aids. The revaluation involved the follow steps:
  - Obtaining assets inventory data for asset types from various sources of databases.
  - Applying average unit rates for assets and asset components where possible to determine the estimated replacement cost for each asset type.
  - Estimating normal useful lives and remaining useful lives based on condition. Remaining life extensions have been applied to all assets which are past their normal useful life but still in use.
  - Applying depreciation (straight line) based on age/life analysis to estimate fair value.
- d) Specialised rail infrastructure assets are measured at depreciated replacement cost, which is based on the incremental optimised replacement cost. Optimised replacement cost is the minimum cost in the normal course of business to replace the existing asset with a technologically modern equivalent asset with the same economic benefits after adjusting for over design, over capacity and redundant components.
- e) Newcastle Light Rail as specialised assets have been valued using the cost approach. Due to this being a recently constructed project, the gross replacement cost has been determined by adjusting the historical cost (excluding relocating costs) using relevant indices.
- f) Revaluation on certain infrastructure assets including roads, bridges and land and buildings acquired for future road works were performed in 2019. All road infrastructure assets are stated at fair value using the CRC approach:
  - The methods and significant assumptions applied in estimating the 'Roads' asset class fair values include Primary Approach, Secondary Approach and Hybrid Approach.
  - Due to the specialised nature of Transport for NSW's 'roads' asset class and that the roads are not sold or traded, the fair value for this asset class cannot be determined with reference to the 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 mentioned above, primarily with reference to current tendered contracted rates produced by Project Management Office.
- g) Land and buildings acquired for future road works comprises of untenanted land for road (ULR), public reserves, rental and surplus properties. In 2019, ULR, rental and surplus and administration properties were subject registered valuers. 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.

**Department of Transport**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**14. Property, plant and equipment (cont'd)**

**(b) Property, plant and equipment held and used by the consolidated entity**

	Infrastructure systems				Plant and equipment							
	Land and buildings	Road and maritime systems	Rail systems	Total	Plant and Equipment	Finance leased buses	Rolling Stock	Leased rolling Stock	Buses	Ferries	Total	Total property, plant and equipment
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '001	\$ '000	\$ '001	\$ '000	\$ '000	\$ '000	\$ '000
<b>At 30 June 2020</b>												
At cost - Gross carrying amount	8,652,393	131,157,350	94,409,892	225,567,242	2,237,379	-	7,796,773	-	1,098,568	7,500	11,140,220	245,359,855
Accumulated depreciation and impairment	(5,029,579)	(30,315,465)	(38,836,722)	(69,152,187)	(978,799)	-	(3,493,953)	-	(747,843)	(5,979)	(5,226,574)	(79,408,340)
<b>Net carrying amount</b>	<b>3,622,814</b>	<b>100,841,885</b>	<b>55,573,170</b>	<b>156,415,055</b>	<b>1,258,580</b>	<b>-</b>	<b>4,302,820</b>	<b>-</b>	<b>350,725</b>	<b>1,521</b>	<b>5,913,646</b>	<b>165,951,515</b>
<b>At 30 June 2019</b>												
At cost - Gross carrying amount	8,671,696	123,067,333	85,173,356	208,240,689	1,865,043	1,357,309	7,071,614	2,363,001	1,167,021	9,967	13,833,955	230,746,340
Accumulated depreciation and impairment and impairment	(5,080,042)	(28,978,018)	(35,470,278)	(64,448,296)	(777,623)	(656,464)	(3,279,373)	(458,059)	(838,035)	(9,123)	(6,018,677)	(75,547,015)
<b>Net carrying amount</b>	<b>3,591,654</b>	<b>94,089,315</b>	<b>49,703,078</b>	<b>143,792,393</b>	<b>1,087,420</b>	<b>700,845</b>	<b>3,792,241</b>	<b>1,904,942</b>	<b>328,986</b>	<b>844</b>	<b>7,815,278</b>	<b>155,199,325</b>

**Department of Transport**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**14. Property, plant and equipment (cont'd)**

**Reconciliation of property, plant and equipment held and used by the consolidated entity**

Consolidated	Infrastructure systems				Plant and equipment						Total	Total property, plant and equipment
	Land and buildings	Road and Maritime systems	Rail systems	Total	Plant and equipment	Finance leased buses	Rolling stock	Leased rolling stock	Buses	Ferries		
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
<b>At 30 June 2020</b>												
Net carrying amount at start of year	3,591,654	95,190,929	49,703,078	144,894,007	1,087,420	700,845	3,792,241	1,904,942	328,986	844	7,815,278	156,300,939
Restatement of infrastructure assets	-	(1,101,614)	-	(1,101,614)	-	-	-	-	-	-	-	(1,101,614)
<b>Restated net carrying amount at start of year</b>	<b>3,591,654</b>	<b>94,089,315</b>	<b>49,703,078</b>	<b>143,792,393</b>	<b>1,087,420</b>	<b>700,845</b>	<b>3,792,241</b>	<b>1,904,942</b>	<b>328,986</b>	<b>844</b>	<b>7,815,278</b>	<b>155,199,325</b>
Additions	378,861	6,569,157	6,243,992	12,813,149	113,909	-	114,718	-	67,005	-	295,632	13,487,642
Recognition of assets	1,246	87,095	3,274	90,369	-	-	-	-	-	-	-	91,615
Revaluation increment/decrement recognised in equity	(197,658)	2,106,598	2,450,171	4,556,769	950	-	22,654	-	-	917	24,521	4,383,632
Disposals	(102,459)	-	(504,927)	(504,927)	(8,057)	-	(1,379)	-	(2,190)	-	(11,626)	(619,012)
Impairment losses	(1,306)	(149,393)	(337,925)	(487,318)	-	-	(593)	-	-	-	(593)	(489,217)
Assets transferred to/from non-current assets held for sale	(51,077)	-	-	-	(170)	-	-	-	-	-	(170)	(51,247)
Reclassification between PPE classes	176,255	3,489	(1,061,375)	(1,057,886)	258,762	-	588,710	-	160	-	847,632	(33,999)
Reclassifications (to)/from intangible assets	-	(53)	(72,249)	(72,302)	25,979	-	-	-	-	-	25,979	(46,323)
Reclassifications (to)/from other assets	(241,522)	(196,621)	909,664	713,043	(5,614)	(700,845)	-	(1,904,942)	-	-	(2,611,401)	(2,139,880)
Depreciation	(37,399)	(1,447,272)	(1,386,631)	(2,833,903)	(214,584)	-	(213,531)	-	(43,236)	(240)	(471,591)	(3,342,893)
Increase/(decrease) in net assets from equity transfer	108,864	-	-	-	-	-	-	-	-	-	-	108,864
Transfer to councils, NSW government agencies & other parties	(2,645)	(220,430)	(373,902)	(594,332)	(15)	-	-	-	-	-	(15)	(596,992)
<b>Net carrying amount as at 30 June</b>	<b>3,622,814</b>	<b>100,841,885</b>	<b>55,573,170</b>	<b>156,415,055</b>	<b>1,258,580</b>	<b>-</b>	<b>4,302,820</b>	<b>-</b>	<b>350,725</b>	<b>1,521</b>	<b>5,913,646</b>	<b>165,951,515</b>

#### 14. Property, plant and equipment (cont'd)

##### (c) Property, plant and equipment where the consolidated entity is lessor under operating leases

	Infrastructure systems			Plant and equipment		Total
	Land and buildings	Road and maritime systems	Rail systems	Plant and Equipment	Ferries	
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
<b>At 30 June 2020</b>						
Gross carrying amount	1,032,734	348,062	634,911	3,316	300,100	2,319,123
Accumulated depreciation and impairment	(13,332)	-	(177,245)	(2,278)	(236,105)	(428,960)
<b>Net carrying amount</b>	<b>1,019,402</b>	<b>348,062</b>	<b>457,666</b>	<b>1,038</b>	<b>63,995</b>	<b>1,890,163</b>
<b>At 30 June 2019</b>						
Gross carrying amount	1,056,122	360,359	599,773	3,316	295,307	2,314,877
Accumulated depreciation and impairment	(32,309)	-	(167,805)	(2,106)	(223,716)	(425,936)
<b>Net carrying amount</b>	<b>1,023,813</b>	<b>360,359</b>	<b>431,968</b>	<b>1,210</b>	<b>71,591</b>	<b>1,888,941</b>

##### Reconciliation of property, plant and equipment where the consolidated entity is lessor under operating leases

	Infrastructure Systems			Plant and Equipment		Total
	Land and buildings	Road and maritime systems	Rail systems	Plant and Equipment	Ferries	
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
<b>Notes</b>						
Opening balance	1,023,813	360,359	431,968	1,210	71,591	1,888,941
Additions	-	-	10,522	-	4,794	15,316
Disposals	(1,221)	-	-	-	-	(1,221)
Reclassification between PPE classes	28,350	-	5,649	-	-	33,999
Depreciation / amortisation	(428)	-	(9,440)	(172)	(12,390)	(22,430)
Net revaluation increments less revaluation decrements	(31,112)	(12,297)	18,967	-	-	(24,442)
<b>Net carrying amount at 30 June 2020</b>	<b>1,019,402</b>	<b>348,062</b>	<b>457,666</b>	<b>1,038</b>	<b>63,995</b>	<b>1,890,163</b>

#### Recognition and measurement

##### (i) Property, plant and equipment

Property, plant and equipment comprise of land and buildings, plant and equipment (rolling stock, buses, ferries and general plant and equipment) and infrastructure systems (rail, road and maritime infrastructure including related land and buildings).

##### (ii) Acquisition of property, plant and equipment

Property, plant and equipment are initially measured at cost in accordance with AASB 116 Property, Plant and Equipment. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other Australian Accounting Standards.

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

## **14. Property, plant and equipment (cont'd)**

### **Recognition and measurement (cont'd)**

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 an asset is deferred beyond normal credit terms, its cost is the cash price equivalent, i.e. the deferred payment amount is effectively discounted over the period of credit.

The cost of assets constructed for own use includes the purchase cost, other directly attributable costs and the initial estimate of dismantling and restoration costs. Borrowing costs on qualifying assets are expensed or capitalised as per Note 2, Recognition and measurement 2(iv).

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

### **(iii) Valuation of property, plant and equipment**

Subsequent to initial recognition, property, plant and equipment 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 and 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.

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 18 for further information regarding fair value.

Where there is no available market evidence, the asset's fair value is measured at its market buying price, the best indicator of which is current replacement cost.

The current replacement cost method is used to revalue specialised buildings (designed for a specific limited purpose), trackwork and rail infrastructure systems, road infrastructure systems, maritime infrastructure systems, buses, ferries and certain plant and equipment. Current replacement cost for these types of assets is based on the "incremental optimised replacement cost". Optimised replacement cost is the minimum cost, in the normal course of business, to replace the existing asset with a technologically modern equivalent asset with the same economic benefits, adjusting for any overdesign, overcapacity and redundant components. Incremental optimisation means that optimisation is limited to the extent that optimisation can occur in the normal course of business using commercially available technology.

Non-specialised assets such as computer and office equipment with short useful lives are measured at depreciated historical cost, as a surrogate for fair value. This is because any difference between fair value and depreciated historical cost is unlikely to be material.

## **14. Property, plant and equipment (cont'd)**

### **Recognition and measurement (cont'd)**

#### **(iv) Revaluation of property, plant and equipment**

The entities in the group revalue each class of property, plant and equipment at least every five years or with sufficient regularity to ensure that the carrying amount of each asset in the class does not differ materially from its fair value at reporting date. Revaluations are performed by independent professionally qualified valuers.

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 decrements.

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

Revaluation decrements are recognised immediately as a loss in the net result, 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 reporting 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.

Interim revaluations are performed between comprehensive revaluations where cumulative changes to indicators/indices suggest fair value may differ from carrying value in accordance with NSW Treasury policy and guidelines paper (TPP 14-01). Each entity within the group undertakes their own assessment to comprehensively revalue a class of assets more frequently.

As a not-for-profit reporting 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 where the costs of disposal are material. Specifically, impairment is unlikely for the consolidated entity given that AASB 136 modifies the recoverable amount 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. This means that, for an asset already measured at fair value, impairment can only arise if costs of disposal are material. Costs of disposal are generally regarded as immaterial.

#### **(v) Impairment of property, plant and equipment**

Notwithstanding this, the consolidated entity generally reviews the carrying values of major assets for objective evidence of impairment. Where such an indication exists, an estimate of the recoverable amount is made. An impairment loss is recognised in the Statement of comprehensive income when the carrying amount of an asset exceeds its recoverable amount unless the asset has been revalued in which case the impairment loss is treated as a revaluation decrease. When the impairment subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## **14. Property, plant and equipment (cont'd)**

### **Recognition and measurement (cont'd)**

#### **(vi) Depreciation of property, plant and equipment**

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

All material separately identifiable components of assets are depreciated over their shorter useful lives. A component is accounted for separately if it has a useful life materially different from that of the prime asset and, therefore, requires separate replacement during the life of the prime asset; is material enough to justify separate tracking; and is capable of having a reliable value attributed to it. A dedicated spare part does not normally have a useful life of its own.

Certain heritage assets including original artworks and collections and heritage buildings may not have a limited useful life because appropriate curatorial and preservation policies are adopted. The decision not to recognise depreciation for these assets is reviewed annually. Depreciation on owned buses is calculated in line with the pattern of consumption of economic benefits.

Land is not a depreciable asset. Buildings which have been acquired for future transport infrastructure are not depreciated as these assets are not purchased to generate revenue and are ultimately demolished for transport infrastructure projects. The expected useful lives of property, plant and equipment for depreciation purposes are as follows:

<b>Depreciation Rates</b>	<b>Useful Lives</b>
Rail systems	5-250 years
Road systems	7-108 years
Maritime systems	10-80 years
Rolling stock	25-43 years
Buildings	10-200 years
Owned buses	15-25 years
Ferries	20-45 years
Plant and equipment	2-60 years

The assets residual values, useful lives and depreciation methods are reviewed, and adjusted, if appropriate, at each financial year end.



## **14. Property, plant and equipment (cont'd)**

### **Recognition and measurement (cont'd)**

#### **(vii) Finance leases acquired by lessees (Under AASB 117 until 30 June 2019)**

Until 30 June 2019, AASB 117 Leases (AASB 117) distinguished between finance leases that 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 does not transfer substantially all the risks and rewards.

Property, plant and equipment at 30 June 2019 includes non-current assets acquired under finance leases only. The assets are recognised at fair value or, if lower, the present value of the minimum lease payments, at the inception of the lease. Property, plant and equipment does not include amounts in respect of operating leases.

Property, plant and equipment acquired under finance leases are depreciated over the asset's useful life. However, if there is no reasonable certainty that the lessee entity will obtain ownership at the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Some privately financed project (PFP) assets are acquired under a finance lease and accounted for following the principles of AASB 117 according to TPP 06-8.

#### **(viii) Right of use assets acquired by lessees (under AASB 16 from 1 July 2019)**

From 1 July 2019, AASB 16 Leases (AASB 16) requires a lessee to recognise a right of use asset for most leases. The consolidated entity has elected to present right of use assets separately in the Statement of financial position.

Therefore, at 1 July 2019, property, plant and equipment includes amounts for right of use assets in respect of leases previously treated as operating leases under AASB 117, as well as any arrangements that are assessed as leases under AASB 16 that were not leases under AASB 117. Property, plant and equipment recognised under leases previously treated as finance leases under AASB 117 are derecognised. The right of use assets arising from these leases are recognised and included in the separate line item together with those right of use assets arising from leases previously treated as operating leases under AASB 117.

Further information on leases is contained at Note 15.

The consolidated entity has adopted the option to not apply AASB 16 to assets that would be classified as service concession assets in accordance with AASB 1059 Service Concession Arrangements: Grantors. The entity continues to apply its existing accounting policy to these assets until AASB 1059 is applied.

#### **(ix) Major inspection costs**

When each major inspection is performed, 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.

#### **(x) Restoration costs**

The estimated cost of dismantling and removing an asset and restoring the site is included in the cost of an asset, to the extent it is recognised as a liability. If the effect of the time value of money is material, these costs are discounted at the appropriate market yields on government bonds.

## **14. Property, plant and equipment (cont'd)**

### **Recognition and measurement (cont'd)**

#### **(xi) Maintenance**

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

#### **(xii) Derecognition**

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset and are included in the Statement of comprehensive income.

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.

## **15. Leases**

### **(a) Consolidated entity as a lessee**

The consolidated entity leases various properties, equipment and motor vehicles. Lease contracts are typically made for fixed periods of 1 to 100 years, but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. The consolidated entity does not provide residual value guarantees in relation to leases.

Extension and termination options are included in a number of property and equipment leases. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the consolidated entity and not by the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option.

Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows of \$64.1 million have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was an increase in recognised lease liabilities and right of use assets of \$2.9 million.

The consolidated entity has elected to recognise payments for short-term leases and low value leases as expenses on a straight-line basis, instead of recognising a right of use asset and lease liability. Short-term leases are leases with a lease term of 12 months or less. Low value assets are assets with a fair value of \$10,000 or less when new and comprise mainly some property leases, motor vehicles leases and information technology leases.

**Department of Transport**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**15. Leases (cont'd)**

**(a) Consolidated entity as a lessee (cont'd)**

**Right of use assets under leases**

	Notes	Land and buildings \$ '000	Plant and equipment \$ '000	Rolling stock \$ '000	Buses \$ '000	Total \$ '000
<b>Balance at 1 July 2019</b>						
Net carrying amount at start of year		-	-	-	-	-
Reclassification from property, plant and equipment		229,944	4,098	1,904,942	700,845	2,839,829
Reclassification from receivables		9,608	-	-	-	9,608
Recognition of right of use asset on initial application of AASB16		339,690	98,563	-	92,719	530,972
Adjusted net carrying amount at beginning of the year	1(j)(iii)	579,242	102,661	1,904,942	793,564	3,380,409
Additions		650,908	52,334	-	78,076	781,318
Disposals	4	(6)	(431)	-	(7,509)	(7,946)
Impairment losses	5	(80,810)	-	-	-	(80,810)
Depreciation	2(d)	(59,462)	(33,900)	(74,163)	(104,311)	(271,836)
Other movements		7,971	(99)	(2,228)	(322)	5,323
<b>Balance at 30 June 2020</b>		<b>1,097,843</b>	<b>120,565</b>	<b>1,828,551</b>	<b>759,498</b>	<b>3,806,458</b>

Note the above balance does not include the Sydney Harbour Tunnel finance leases. This is due to AASB 16 Leases paragraph Aus3.1, which excludes the application of AASB 16 on service concession assets that will be recognised under AASB 1059 Service Concession Arrangements: Grantors. Refer to Note 14 (viii).

**Lease liabilities**

The following table presents liabilities under leases:

	Notes	Lease liabilities \$ '000
<b>Balance at 1 July 2019</b>		
Reclassification from finance leases		2,914,067
Recognition of lease liability on initial application of AASB16		530,972
Adjusted net carrying amount at beginning of the year	1(j)(iii)	3,445,039
Additions		799,344
Interest expenses	2(f)	243,276
Payments		(471,376)
<b>Balance at 30 June 2020</b>		<b>4,016,283</b>

The following amounts were recognised in the statement of comprehensive income for the year ending 30 June 2020 in respect of leases where the entity is the lessee.

	Notes	\$ '000
Depreciation expense of right-of-use assets	2(d)	271,836
Interest expense on lease liabilities	2(f)	243,276
Expense relating to short-term leases	2(b)	24,053
Expenses relating to leases of low-value assets		5,422
<b>Total amount recognised in the statement of comprehensive income</b>		<b>544,587</b>

The consolidated entity had total cash outflows for leases of \$500.9 million in 2020.

## 15. Leases (cont'd)

### (a) Consolidated entity as a lessee (cont'd)

#### Comparative information under AASB 117 Leases

As at 30 June 2019

Future minimum lease payments under non-cancellable leases as at 30 June 2019 are, as follows:

	Operating leases \$'000	Finance leases \$'000
Not later than one year	177,007	174,334
Later than one year and not later than five years	373,754	610,119
Later than five years	31,706	2,374,189
<b>Total including GST</b>	<b>582,467</b>	<b>3,158,642</b>
Less GST recoverable from the Australian Taxation Office	(52,952)	(287,149)
<b>Total excluding GST</b>	<b>529,515</b>	<b>2,871,493</b>

The reconciliation between the total future minimum lease payments for finance leases and their present value as at 30 June 2019 are, as follows:

	2019 \$'000
Minimum lease payment commitments in relation to finance leases payable as follows:	
Not later than one year	439,990
Later than one year and not later than five years	1,556,728
Later than five years	4,699,988
<b>Minimum lease payment</b>	<b>6,696,706</b>
Less: future finance charges	(3,538,064)
<b>Present value of minimum lease payments</b>	<b>3,158,642</b>

#### Leases at significantly below-market terms and conditions principally to enable the entity to further its objectives

The consolidated entity entered into a 98-year lease with Infrastructure NSW to accommodate amenities and infrastructure required to operate the Barangaroo Ferry Hub. The leased premises must only be used for this purpose. The lease contract specifies a lease payment of \$1.

The consolidated entity had leases with various government agencies for periods between 1 to 5 years. The lease premises are used by the consolidated entity in order to obtain access to the sites in order to undertake Sydney Metro construction works. The lease contracts specifies lease payments between \$1 to \$100 per annum.

The consolidated entity also has a number of peppercorn lease arrangements with various local councils. The leased premises are primarily for the use of commuter car parks. The lease contracts specify lease payments of \$1 per annum and the lease terms range from 10 years to 99 years.

As such, these leases do not have a significant impact on the consolidated entity's operations. The initial and subsequent measurement of right of use assets under leases at significantly below-market terms and conditions that are entered into principally to enable the consolidated entity to further its objectives is same as normal right of use assets. They are measured at cost, subject to impairment.

## **15. Leases (cont'd)**

### **(a) Consolidated entity as a lessee (cont'd)**

#### **Recognition and measurement (under AASB 16 from 1 July 2019)**

The consolidated entity assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The consolidated entity recognises lease liabilities to make lease payments and right of use assets representing the right to use the underlying assets, except for short-term leases and leases of low-value assets.

#### **Right of use assets**

The consolidated entity recognises right of use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right of use assets are initially measured at the amount of initial measurement of the lease liability (refer ii below), adjusted by any lease payments made at or before the commencement date and lease incentives, any initial direct costs incurred, and estimated costs of dismantling and removing the asset or restoring the site.

Right of use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Land and buildings 1 to 100 years
- Plant and machinery 1 to 25 years
- Rolling Stock 32 to 35 years
- Buses 5 to 25 years

If ownership of the leased asset transfers to the consolidated entity at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right of use assets are also subject to impairment. The consolidated entity assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the consolidated entity estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. After an impairment loss has been recognised, it is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the net result.

#### **Impairment losses for right of use assets**

The COVID-19 outbreak occurring throughout the 2020 financial year had an unprecedented effect on the NSW and global economies. COVID-19 significantly impacted the market rent for office accommodation, and therefore the value of some lease right of use assets in the Statement of financial position.

The consolidated entity has therefore undertaken an impairment assessment for the above right of use assets, to determine whether the carrying amount exceeded their recoverable amount. Impacted right of use assets were written down to their recoverable amounts by reference to the right of use asset's fair value less costs of disposal and an impairment loss is recognised.

The consolidated entity recognised impairment losses for right of use assets during the 2020 financial year of \$80.8 million relating to right of use land and buildings, which is determined to be its fair value less costs of disposal. Impairment losses for right of use assets are included in Note 5 Other gains/(losses) in the Statement of comprehensive income. The valuation technique used in the fair value measurement is classified as level 3 according to the fair value hierarchy within AASB 13 Fair Value Measurement.

## 15. Leases (cont'd)

### (a) Consolidated entity as a lessee (cont'd)

#### Recognition and measurement (under AASB 16 from 1 July 2019) (cont'd)

The recoverable amounts determined with reference to right of use assets' fair value less costs of disposal were computed using the valuation techniques detailed in the following table.

Asset description	Valuation technique	Key assumptions	Fair value hierarchy of fair value less cost of disposal assessment
Right of use asset – land and buildings	Current replacement cost (CRC) approach – assets are valued based on the net replacement cost of a new equivalent asset with the same geographical market and remaining lease term. The net replacement costs were calculated based on the market rent forecasts from JLL Real Estate Intelligence Services (REIS), or Property NSW's historical rent data for regional markets at the valuation date, where the market rent forecast as at 30 June 2019 was the base year.	<ul style="list-style-type: none"> <li>Right of use assets are stated at fair value at the time of initial recognition or lease commencement date.</li> <li>Cost of disposals is immaterial.</li> <li>The rent profile (fixed percentage, market rent review, consumer price index (CPI) or combination) at the lease commencement date represents future market rent forecasts.</li> <li>Regional market rents are linked with CPI.</li> </ul>	Level 3

The recoverable amounts of the right of use assets for which an impairment loss has been recognised (or reversed) during the financial year, and the level of fair value hierarchy for the right of use assets for which the recoverable amounts are determined with reference to their fair value less costs of disposal are:

Recoverable amount	Land and buildings \$'000	Total \$'000
Fair value less costs of disposal:		
Level 1	-	-
Level 2	-	-
Level 3	1,097,843	1,097,843
<b>Total</b>	<b>1,097,843</b>	<b>1,097,843</b>

The discount rate ranges employed in present value technique computations of recoverable amounts is summarised in the below table.

Recoverable amount	Current measurement discount rates	Previous measurement discount rates
Fair value less cost of disposal – discounted cash flow technique	Internal borrowing rates at the valuation date.	Internal borrowing rates as at 1 July 2019 for any leases recognised upon transition to AASB 16 Leases, or at the lease commencement date if the lease commenced after 1 July 2019.

## **15. Leases (cont'd)**

### **(a) Consolidated entity as a lessee (cont'd)**

#### **Recognition and measurement (under AASB 16 from 1 July 2019) (cont'd)**

##### **Lease liabilities**

At the commencement date of the lease, the consolidated entity recognises lease liabilities measured at the present value of lease payments to be made over the lease term. Lease payments include:

- fixed payments (including in substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- exercise price of a purchase options reasonably certain to be exercised by the entity; and
- payments of penalties for terminating the lease, if the lease term reflects the entity exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the consolidated entity's leases, the lessee's incremental borrowing rate is used, being the rate that the entity would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms, security and conditions.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The consolidated entity's lease liabilities are included in borrowings.

##### **Short-term leases and leases of low-value assets**

The consolidated entity applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

#### **Recognition and measurement (under AASB 117 until 30 June 2019)**

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset (or assets), even if that asset (or those assets) is not explicitly specified in an arrangement.

Until 30 June 2019, a lease was classified at the inception date as a finance lease or an operating lease. A lease that transferred substantially all the risks and rewards incidental to ownership to the entity was classified as a finance lease. Where a non-current asset was acquired by means of a finance lease, at the commencement of the lease, the asset was recognised at its fair value or, if lower, at the present value of the minimum lease payments. The corresponding liability was established at the same amount.

## 15. Leases (cont'd)

### (b) Consolidated entity as a lessor

Lease payments were apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges were recognised in finance costs in the statement of comprehensive income.

Property, plant and equipment acquired under finance leases was depreciated over the useful life of the asset. However, if there is no reasonable certainty that the entity will obtain ownership by the end of the lease term, the asset was depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments were recognised as an operating expense in the statement of comprehensive income on a straight-line basis over the lease term.

The consolidated entity holds properties, vessels and advertising structures that are leased to tenants under operating leases with rental payable monthly or quarterly. Lease payments for some contracts include CPI increases, but there are no other variable lease payments that depend on an index or rate.

Although the consolidated entity is exposed to changes in the residual value at the end of current leases, the consolidated entity typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties

### Lessor for finance leases

Future minimum rentals receivable (undiscounted) under non-cancellable finance lease are as follows:

	2020 \$'000	2019 \$'000
Within one year	2,360	1,585
Later than one year and not later than five years	-	6,342
One to two years	1,550	-
Two to three years	1,549	-
Three to four years	1,477	-
Four to five years	1,477	-
Later than five years	72,137	73,521
<b>Total (excluding GST)</b>	<b>80,550</b>	<b>81,448</b>

### Reconciliation of net investments in leases

	2020 \$'000	2019 \$'000
Future discounted rentals receivable	80,550	81,448
Unguaranteed residual amounts - undiscounted	(54,155)	(55,535)
<b>Net investment in finance leases</b>	<b>26,395</b>	<b>25,913</b>

Leases that the consolidated entity transfers substantially all the risks and rewards incidental to ownership of an asset are classified as finance leases. From 1 July 2019, subleases are classified by reference to the right of use asset arising from the head lease, rather than by reference to the underlying asset.

Finance income arising from finance leases is recognised over the lease term, based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease.



## 15. Leases (cont'd)

### (b) Consolidated entity as a lessor (cont'd)

#### Lessor for operating leases

Future minimum rentals receivables (undiscounted) under non-cancellable operating lease are as follows

	2020 \$'000	2019 \$'000
Within one year	74,726	177,007
Later than one year and not later than five years	-	373,754
One to two years	66,885	-
Two to three years	61,689	-
Three to four years	55,165	-
Four to five years	49,001	-
Later than five years	548,403	31,706
<b>Total (excluding GST)</b>	<b>855,869</b>	<b>582,467</b>

#### Recognition and measurement - lessor for operating leases

An operating lease is a lease other than a finance lease. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the underlying asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

## 16. Intangible assets

Consolidated	Notes	Intangible assets	Biodiversity credits	Work in progress	Total intangibles
<b>At 30 June 2020</b>					
Cost (gross carrying amount)		1,990,160	68,648	498,462	2,557,270
Accumulated amortisation and impairment		(1,063,846)	-	-	(1,063,846)
<b>Net carrying amount</b>		<b>926,314</b>	<b>68,648</b>	<b>498,462</b>	<b>1,493,424</b>
<b>At 30 June 2019</b>					
Cost (gross carrying amount)		1,888,588	79,541	439,055	2,407,184
Accumulated amortisation and impairment		(922,256)	-	-	(922,256)
<b>Net carrying amount</b>		<b>966,332</b>	<b>79,541</b>	<b>439,055</b>	<b>1,484,928</b>
<b>At 30 June 2020</b>					
Net carrying amount at start of year		966,332	79,541	439,055	1,484,928
Additions		7,155	2,105	220,912	230,172
Disposals	4	(153)	-	(4,633)	(4,786)
Retirements	22	-	(12,998)	-	(12,998)
Reclassification between intangible assets		52,103	-	(52,103)	-
Reclassifications (to)/from PPE	14	130,039	-	(83,716)	46,323
Reclassifications (to)/from other assets		21,053	-	(21,053)	-
Impairment reversals	5	1,670	-	-	1,670
Amortisation	2(d)	(251,885)	-	-	(251,885)
<b>Net carrying amount at 30 June</b>		<b>926,314</b>	<b>68,648</b>	<b>498,462</b>	<b>1,493,424</b>
<b>At 30 June 2019</b>					
Net carrying amount at start of year		900,063	-	776,576	1,676,639
Additions		22,036	79,541	222,772	324,349
Disposals	4	(664)	-	(571)	(1,235)
Reclassification between intangible assets		122,391	-	(122,391)	-
Reclassifications (to)/from PPE	14	146,832	-	(437,331)	(290,499)
Impairment losses	5	(2,005)	-	-	(2,005)
Amortisation	2(d)	(222,321)	-	-	(222,321)
<b>Net carrying amount at 30 June</b>		<b>966,332</b>	<b>79,541</b>	<b>439,055</b>	<b>1,484,928</b>

There were nil (2019: nil) intangible assets held by the parent.

### Recognition and measurement

Intangible assets are recognised only if it is probable that future economic benefits will flow to the consolidated entity and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost which includes the purchase price and any costs directly attributable to preparing the asset for its intended use. Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition.

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

The useful lives of all other intangible assets are assessed to be finite except for the biodiversity credits that have indefinite useful life.

Intangible assets are subsequently measured at fair value only if there is an active market. If there is no active market for the consolidated entity's intangible assets, the assets are carried at cost less any accumulated amortisation and impairment loss.

## **16. Intangible assets (cont'd)**

### **Recognition and measurement (cont'd)**

The consolidated entity's intangible assets comprise principally information technology systems which are amortised using the straight-line method over periods ranging from 2 years to 19 years and biodiversity credits that are not amortised and have an indefinite useful life.

Intangible assets are tested for impairment where an indicator of impairment exists except for biodiversity credits which are tested for impairment annually. 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.

**Department of Transport**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**17. Other assets**

	Notes	Consolidated 2020 \$'000	Consolidated 2019 \$'000	Parent 2020 \$'000	Parent 2019 \$'000
<b>Non-current other assets</b>					
Right to receive privately financed transport infrastructure		2,884,716	2,422,702	-	-
Prepaid asset		157,658	1,057,028	-	-
<b>Other assets</b>		<b>3,042,374</b>	<b>3,479,730</b>	<b>-</b>	<b>-</b>
<b>Movement in right to receive privately financed transport infrastructure</b>					
Balance at 1 July		2,422,702	2,151,866	-	-
Additions	3(h)	449,225	270,836	-	-
Net increase in asset revaluation reserve		12,789	-	-	-
<b>Balance at 30 June</b>		<b>2,884,716</b>	<b>2,422,702</b>	<b>-</b>	<b>-</b>

**Recognition and measurement**

**Private sector provided infrastructure**

In these private sector provided infrastructure arrangements, the grantor (the consolidated entity) gives the service concession in exchange for the right to receive the infrastructure from the operator (private sector entity) at the end of the concession period. The operator is required to Build, Own, Operate and Transfer (BOOT) the infrastructure and use it to provide services directly to the public during the concession period. The operator is permitted to charge the public for the services it provides. The service concession arrangement infrastructure is operator-controlled during the concession period and grantor-controlled thereafter.

In the absence of a specific Australian Accounting Standard, Treasury Policy and Guidelines Paper Accounting for Privately Financed Projects (TPP 06-8) applies. This policy requires the consolidated entity to initially determine the estimated written down replacement cost by reference to the project's historical cost escalated by a construction index and the system's estimated working life. The estimated written down replacement cost is then allocated on a systematic basis over the concession period using the annuity method and the government bond rate at the commencement of the project. During the concession period, the consolidated entity recognises the annual value of the right to receive the infrastructure as an asset and as revenue (Note 3(vi)).

**Prepaid asset**

The consolidated entity has entered into Public Private Partnership (PPP) contracts for the construction of various projects. The costs incurred on these projects prior to completion of the construction phase are recognised as a prepaid asset in accordance with NSW Treasury Policy TPP 06-8. Upon completion, the prepaid assets are transferred to property, plant and equipment.

Prepaid assets of \$157.7 million as at 30 June 2020 relate to the consolidated entity's PPP contract with Northwest Rapid Transit for construction of the augmentation of Metro Northwest and City and South West projects (2019: nil). Prepaid assets of \$1,057.0 million as at 30 June 2019 related to the consolidated entity's contract with ALTRAC Light Rail Partnership for the construction of the Sydney Light Rail - CBD and South East Light Rail. During the year, construction of the First Passenger Service Stage 1 (Randwick to Circular Quay) and First Passenger Service Stage 2 (Kingsford to Circular Quay) were completed and commenced operations. As a result, the Sydney Light Rail prepaid assets were transferred to the relevant completed asset categories within property, plant and equipment (Note 14).

## 18. Fair value measurement of non-financial assets

### (a) Fair value hierarchy

Fair value measurements recognised in the balance sheet are categorised into the following levels at 30 June 2020.

2020	Notes	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total fair value \$'000
<b>Land and buildings</b>	14	-	3,508,910	980,371	4,489,281
Plant and equipment		-	707	280,016	280,723
Rolling stock		-	-	3,485,951	3,485,951
Buses		-	-	347,740	347,740
Ferries		-	-	63,880	63,880
<b>Plant and equipment</b>	14	-	707	4,177,587	4,178,294
Road and maritime systems		-	-	87,830,582	87,830,582
Rail systems		-	-	44,805,609	44,805,609
<b>Infrastructure systems</b>	14	-	-	132,636,191	132,636,191
<b>Non-current assets held for sale</b>	12	-	55,305	-	55,305
<b>Other assets</b>	17	-	-	2,884,716	2,884,716
		-	3,564,922	140,678,865	144,243,787

Road and maritime systems have been restated to be \$1,101.6 million lower than in the prior year. Refer to Note 29.

Fair value measurements recognised in the balance sheet are categorised into the following levels at 30 June 2019.

2019	Notes	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total fair value \$'000
<b>Land and buildings</b>	14	-	3,502,782	797,468	4,300,250
Plant and equipment		-	1,298	148,382	149,680
Finance leased buses		-	-	700,845	700,845
Rolling stock		-	-	2,881,870	2,881,870
Buses		-	-	320,963	320,963
Ferries		-	-	72,298	72,298
Leased rolling stock		-	-	1,904,942	1,904,942
<b>Plant and equipment</b>	14	-	1,298	6,029,300	6,030,598
Road and maritime systems		-	-	85,292,497	85,292,497
Rail systems		-	-	42,010,186	42,010,186
<b>Infrastructure systems</b>	14	-	-	127,302,683	127,302,683
<b>Non-current assets held for sale</b>	12	-	32,805	-	32,805
<b>Other assets</b>	17	-	-	2,422,702	2,422,702
		-	3,536,885	136,552,153	140,089,038

The above property, plant and equipment exclude work in progress assets measured at depreciated historical cost as a surrogate for fair value.

## **18. Fair value measurement of non-financial assets (cont'd)**

### **(a) Fair value hierarchy (cont'd)**

#### **Recognition and measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability.

A number of the consolidated 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 consolidated entity categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

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

Refer Note 30 for disclosures regarding fair value measurements of financial assets.

### **(b) Valuation techniques**

The consolidated entity obtains independent valuations for its non-financial assets at least every 5 years. For land and buildings (except infrastructure and land under infrastructure) independent valuations are obtained at least every 3 years.

At the end of each reporting period, the consolidated entity updates its assessment of the fair value of each category of non-financial asset, taking into account the most recent independent valuation. The best evidence of fair value is current prices in an active market for similar assets. Where such information is not available, the consolidated entity considers information from a variety of other sources and uses specific valuation techniques including:

- current prices in an active market for assets of a similar nature or recent prices of similar assets in less active markets, adjusted to reflect those differences.
- current replacement cost where the selling price is not available, with reference to the most appropriate modern, depreciated equivalent replacement asset that provides similar economic benefits, adjusted for obsolescence.
- construction costs incurred by the consolidated entity.
- indexation of rates and/or fair value used in previous valuation assessments, including review of the rates against current market conditions and selected Australian Bureau of Statistics indexes applicable to the construction industry, to ensure that the carrying amount of the asset does not differ materially from the market value at the reporting date.
- discounted cash flow projections based on estimates of future cash flows.
- indexation of vacant land acquisition costs using Land Property Index data provided by the Valuer General.

These valuation techniques maximise the use of observable inputs where available and rely as little as possible on entity or asset specific estimates. The level in the fair value hierarchy is determined on the basis of the lowest level input that is significant to the measurement in its entirety. If significant inputs required to measure fair value of an asset are observable, the asset is included in level 2 of the fair value hierarchy. If one or more of the significant inputs is not based on observable market data, the asset is included in level 3 of the fair value hierarchy. All resulting fair value estimates for non-financial assets are included in level 3 with the exception of some land and building, and plant and equipment included under level 2.

There were no changes to the valuation techniques used during the year.

## **18. Fair value measurement of non-financial assets (cont'd)**

### **(c) Valuation processes and inputs**

The consolidated entity engages external professionally qualified valuers to determine the fair value of the entity's non-financial assets at the end of the reporting period, at least every 5 years. During the 2020 financial year, a full valuation of the following assets was carried out by independent valuers, with the other non-financial assets not required to be revalued:

- The fair value of maritime infrastructure assets (excluding wetland and mooring assets) was valued by Deloitte
- The fair value of Newcastle Light Rail was valued by Marsh.
- The fair value of the two Newcastle ferries Aon Risk Services Pty Ltd.
- The fair value of certain infrastructure assets at Sydney Trains and RailCorp were valued by Marsh.
- The fair value of land and buildings at Sydney Ferries was valued by Preston Rowe Paterson Sydney Pty Ltd.

In addition, independent interim valuations using indexations were carried out for the following assets:

- Metro Northwest rail assets (excluding land).
- Sydney Metro Northwest land assets.
- Inner West Light Rail assets
- All classes of assets held by Sydney Trains and Rail Corporation New South Wales.

Roads, bridges and Sydney Harbour Tunnel were indexed by the Australian Bureau of Statistics' Roads and Bridge Cost Index (RBCI) for interim revaluations. For Land under roads and tracks, the latest available Valuer General's urban average rateable values by Local Government Area were applied. The other asset classes (Traffic Control Network, Traffic Signals Network and Maritime assets), a letter of assurance was obtained by external qualified valuers.

The main level 2 and 3 inputs used are as follows:

- **Land and building** - acquisition cost, sale prices for comparable properties, rate per square metre of land area, land size, replacement building costs are determined by the external valuer and/or management, based on the most comparable sales evidence applicable for each property, adjusted for the specific attributes of the property being revalued, such as location, land use, landing values applying in the locality and taking into consideration the implications of the applicable existing lease over the property. Indexation factors are determined based on selected Australian Bureau of Statistics indices applicable to the construction industry. Construction costs incurred are determined by management in accordance with applicable Australian Accounting Standards.
- **Plant and equipment** – replacement cost for modern equivalent assets, expected useful life and remaining life of the assets are estimated and reviewed by management, based on inputs principally obtained from the manufacturer of the assets.
- **Light rail infrastructure and rolling stock** - replacement costs, construction project costs, length of the tracks, overhead power and stabling yards, number of stops/stations, economic working lives of the assets, expired and remaining economic life, depreciation methods, residual values, indexed historical costs and gross replacements costs were estimated by the external valuer and/or management taking into consideration the physical age of the assets, their physical condition, repair and maintenance records, allowance for obsolescence, residual value at the end of the asset's economic life, and construction project budget/forecast.
- **Trackwork and other rail infrastructure assets** – raw materials and labour rates, pricing for tracks/wiring, construction methodology, structural foundations, and other specific allowances were estimated by the external valuer to establish the optimised replacement cost of each asset, taking into consideration historical data, existing assets and current railway infrastructure technologies. Indexation factors are determined based on selected Australian Bureau of Statistics indices applicable to the construction industry.
- **Other rolling stock** - prices from relevant contracts awarded for the manufacture of the asset, international transportation costs, structural modification costs, replacement cost, are estimated by the external valuer, based on replacement costs of both domestic and international vehicles adjusted by an optimisation factor to reflect the technical and functional obsolescence and qualitative attractiveness of the fleet sub types relative to the modern equivalent. International prices and exchange rates are adjusted for international transportation costs or structural modifications. Technical data and remaining life of rolling stock were confirmed by the engineering staff of Sydney Trains and Transport for NSW.

## 18. Fair value measurement of non-financial assets (cont'd)

### (c) Valuation processes and input (cont'd)

- **Road infrastructure** - unit replacement rates for road, bridge and traffic control signal infrastructure valuation is carried out by externally engaged qualified valuers, by reference to unit prices quoted in the most recent relevant infrastructure construction tender documents, where the price range is adjusted to eliminate outlier amounts. The unit replacement rates are adjusted by the RBCI as applicable. Components are depreciated over their estimated useful life depending on component type or remaining useful life depending on assets' condition. Land under roads and tracks 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 tracks and within reserves within each Local Government Area.
- **Ferries** - current replacement cost, including delivery and professional fees were estimated by the external valuer based on the advice of a locally-based, reputable and long-standing boat-builder, assuming the lowest cost of replacing the vessel with a vessel based on the agreed criteria with management. Costs incurred on major periodic maintenance are determined by management based on the applicable Australian Accounting Standards.
- **Owned buses** – current replacement cost estimates are based on the most recent cost prices for the buses and current Transport for NSW Bus Procurement Panel pricing for Rural and Regional Urban and School bus types, as quoted by numerous chassis and bus providers. End of life residual value, exponential decay curve and disposal costs were estimated by the external valuer based on the current market sales evidence and common valuation practice for buses.
- **Non-current asset held for sale** - rate per square meter of gross floor area, land size, estimated sale costs, valuation decline factor, market trading value per gaming machine entitlements and permits, and development costs incurred are determined by the external valuer and/or management, based on the most comparable sales evidence applicable for each parcel of land adjusted for specific factor attributable to the asset and market condition.
- **Leasehold improvement make good** - restoration cost per square metre, inflation rate, market yield on Government bonds, lease terms are estimated and obtained by management.
- **Emerging interest from Public Private Partnership Projects** – replacement costs, inflation rate and discount rate are determined by management in accordance with Treasury policy.

The determination of unit replacement rates is carried out by suitably qualified external valuers, engineering contractors and employees of the Transport cluster. Road infrastructure assets are initially measured at construction cost and the annual percentage increase in the Australian Bureau of Statistics' Roads and Bridge Cost Index (RBCI) is applied each year until the following revaluation is undertaken.

During the year, the consolidated entity identified additional surplus land with divestment potential for Sydney Metro, they were previously categorised as non-developable land with the restricted use and valued using level 3 fair value inputs. As the sites are now considered to have an adequate depth of market appeal and would be readily saleable, their fair value have been assessed using the direct comparison method based on comparable market transactions; the fair value measurement was transferred from level 3 to level 2 of the fair value hierarchy at 30 June 2020. Parcels of land for Transport for NSW were also transferred from land and building acquired for future roadworks (level 2) to land under roads and tracks (level 3).

Individual land and building acquired for future roadwork parcels are categorised under land and building, level 2 fair value measurement; they are transferred to land under roads and tracks work in progress when road construction begins, level 3 fair value measurement. The date of transfer is the construction start date as detailed in the construction contract. At the time of transfer, the land is deemed to have no feasible alternative use and is revalued downward to value in use (englobo or unimproved value).



## 18. Fair value measurement of non-financial assets (cont'd)

### (d) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements.

Assets	Valuation technique	Significant unobservable inputs	Quantity	Relationship between unobservable inputs and fair value measurement
Emerging interest assets	Present value approach: this valuation method involves determining the replacement cost (fair value) of the underlying physical assets at the end of the public private partnership contract, allocating the replacement cost over the contract period as the compounding value of an annuity discounted using the NSW Government bond rate applicable at the commencement of the contract, adjusted for inflation.	<ul style="list-style-type: none"> <li>• Replacement cost</li> <li>• Discount rate</li> <li>• Inflation rate</li> </ul>	In aggregate \$2.8 billion (2019: \$2.4 billion)	<p>The fair value will increase/(decrease) if the estimated:</p> <ul style="list-style-type: none"> <li>• replacement cost increase/(decrease)</li> <li>• discount rate decrease/(increase)</li> <li>• inflation rate increase/(decrease)</li> </ul>

There were no significant inter-relations between inputs that are not based on observable market data (unobservable inputs) that would materially affect the overall valuation.

**Department of Transport**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**18. Fair value measurement of non-financial assets (cont'd)**

**(e) Reconciliation of recurring Level 3 fair value measurement**

	Land and buildings	Plant and equipment	Finance leased buses	Rolling stock	Buses	Ferries	Leased rolling stock	Road and maritime systems	Rail systems	Other assets	Total
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Fair value at start of year	797,468	148,382	700,845	2,881,870	320,963	72,298	1,904,942	86,394,111	42,010,186	2,422,702	137,653,767
Restatement of infrastructure assets	-	-	-	-	-	-	-	(1,101,614)	-	-	(1,101,614)
Restated net carrying amount at start of year	797,468	148,382	700,845	2,881,870	320,963	72,298	1,904,942	85,292,497	42,010,186	2,422,702	136,552,153
Additions	43,109	428	-	18,925	66,923	3,295	-	571,405	1,258,152	449,225	2,411,462
Revaluation increment/(decrement) recognised in other comprehensive income	(11,771)	950	-	22,654	-	917	-	2,094,301	2,469,138	12,789	4,588,978
Transfer (to)/from Level 2	(41,070)	-	-	-	-	-	-	12,495	-	-	(28,575)
Transfer (to)/from council	(2,645)	-	-	-	-	-	-	(1,662)	(354,829)	-	(359,136)
Recognition of assets	-	-	-	-	-	-	-	82,537	700	-	83,237
Transfer (to)/from assets held for sale	(13,938)	-	-	-	-	-	-	-	-	-	(13,938)
Disposals	(9,758)	(1,267)	-	(593)	(2,190)	-	-	(124,803)	(471,785)	-	(610,396)
Depreciation	(7,385)	(34,044)	-	(213,531)	(43,236)	(12,630)	-	(1,447,272)	(1,396,071)	-	(3,154,169)
Transfer (to)/from other classes of assets	223,369	77,223	(700,845)	676,503	5,280	-	(1,904,942)	(459,851)	137,857	-	(1,945,406)
Transfer from assets under construction	2,992	88,344	-	100,123	-	-	-	1,810,935	1,152,261	-	3,154,655
<b>Fair value as at 30 June</b>	<b>980,371</b>	<b>280,016</b>	<b>-</b>	<b>3,485,951</b>	<b>347,740</b>	<b>63,880</b>	<b>-</b>	<b>87,830,582</b>	<b>44,805,609</b>	<b>2,884,716</b>	<b>140,678,865</b>

**Department of Transport**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**18. Fair value measurement of non-financial assets (cont'd)**

**(e) Reconciliation of recurring Level 3 fair value measurement (cont'd)**

	Land and buildings	Plant and equipment	Finance leased buses	Rolling stock	Buses	Ferries	Leased rolling stock	Road and maritime systems	Rail systems	Other assets	Total
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Adjusted fair value at start of year	514,880	107,790	610,678	1,945,451	362,663	88,649	2,254,285	80,225,498	34,777,028	2,136,307	123,023,229
Additions	7,981	7,740	158,780	706,673	36,431	6,951	-	-	1,442,156	286,395	2,653,107
Revaluation increment/(decrement) recognised in net result	-	-	-	(43,549)	-	(12,614)	-	-	-	-	(56,163)
Revaluation increment/(decrement) recognised in other comprehensive income	52,924	26,772	-	(182,174)	-	-	(285,747)	3,554,277	427,110	-	3,593,162
Transfer (to)/from Level 2	-	-	-	-	-	-	-	30,185	-	-	30,185
Transfer (to)/from council	-	-	-	-	-	-	-	(21,051)	-	-	(21,051)
Recognition of assets	-	-	-	2,369	-	-	-	-	-	-	2,369
Transfer (to)/from assets held for sale	-	-	-	-	-	-	-	-	(107)	-	(107)
Disposals	-	(2,383)	-	(6,714)	(119)	-	-	(184,996)	(658,584)	-	(852,796)
Depreciation	(17,273)	(21,107)	(90,682)	(157,761)	(42,082)	(10,688)	(77,720)	(1,457,435)	(1,221,380)	-	(3,096,128)
Transfer (to)/from other classes of assets	-	-	22,069	-	(35,930)	-	-	74,520	-	-	60,659
Transfer from assets under construction	238,956	29,570	-	617,575	-	-	14,124	3,069,463	7,243,958	-	11,213,646
Recognition of assets	-	-	-	-	-	-	-	2,036	5	-	2,041
<b>Fair value as at 30 June</b>	<b>797,468</b>	<b>148,382</b>	<b>700,845</b>	<b>2,881,870</b>	<b>320,963</b>	<b>72,298</b>	<b>1,904,942</b>	<b>85,292,497</b>	<b>42,010,186</b>	<b>2,422,702</b>	<b>136,552,153</b>

Infrastructure systems has been restated to be \$1,101.6 million lower than in the prior year. The following lines have been restated:

- Revaluation increment/(decrement) recognised in equity - \$178.8 million lower
- Disposals – \$1.7 million higher
- Depreciation - \$52.3 million lower
- Transfer to council – \$0.5 million lower
- Adjusted fair value at start of year - \$976.3 million decrease

Refer to Note 29.

**Department of Transport**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**19. Payables**

	Consolidated 2020 \$'000	Consolidated 2019 \$'000	Parent 2020 \$'000	Parent 2019 \$'000
Trade creditors	160,731	363,900	-	12
Accrued salaries, wages and on-costs	89,616	76,132	3	3
Accruals	1,964,037	2,178,508	256	259
Interest	24,096	25,330	-	-
Other creditors	85,447	112,573	-	-
<b>Current payables</b>	<b>2,323,927</b>	<b>2,756,443</b>	<b>259</b>	<b>274</b>

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 30.

**Recognition and measurement**

Payable represent liabilities for goods and services provided to the consolidated entity and other amounts. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial. Payables are financial liabilities at amortised cost, recognised initially at fair value, usually based on the transaction cost. Subsequent measurement is at amortised cost using the effective interest method. Gains and losses are recognised in the net result when the liabilities are derecognised as well as through the amortisation process.

**20. Borrowings**

	Notes	Consolidated 2020 \$'000	Consolidated 2019 \$'000	Parent 2020 \$'000	Parent 2019 \$'000
TCorp borrowings		87,730	82,500	-	-
Finance leases		76,231	174,334	-	-
Financial liabilities at amortised cost		888,173	77,288	-	-
Lease liabilities	15	255,451	-	-	-
Financial liabilities at fair value		4,464	779	-	-
<b>Current borrowings</b>		<b>1,312,049</b>	<b>334,901</b>	<b>-</b>	<b>-</b>
TCorp borrowings		2,416,809	2,437,428	-	-
Finance leases		100,285	2,984,308	-	-
Financial liabilities at amortised cost		2,738,681	1,756,342	-	-
Lease liabilities	15	3,760,832	-	-	-
Financial liabilities at fair value		2,880	507	-	-
<b>Non-current borrowings</b>		<b>9,019,487</b>	<b>7,178,585</b>	<b>-</b>	<b>-</b>

**Repayment of borrowings**

	Consolidated 2020 \$'000	Consolidated 2019 \$'000	Parent 2020 \$'000	Parent 2019 \$'000
Not later than one year	1,312,049	334,901	-	-
Later than one year and not later than five years	3,925,112	2,378,356	-	-
Later than five years	5,094,375	4,800,229	-	-
<b>Repayment of borrowings</b>	<b>10,331,536</b>	<b>7,513,486</b>	<b>-</b>	<b>-</b>

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables, are disclosed in Note 30.

## **20. Borrowings (cont'd)**

### **Recognition and measurement**

#### **(i) Borrowings**

Borrowings classified as financial liabilities at amortised cost are initially measured at the fair value, net of directly attributable transaction costs. Any difference between the proceeds and the redemption amount (premium or discount) is recognised in the net result over the period of the borrowings using the effective interest method.

Borrowings are removed from the Statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the consolidated entity has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

#### **(ii) Finance leases and lease liabilities**

Finance leases relate to the provision of the Sydney Harbour Tunnel finance lease liability. The consolidated entity continues to account for these arrangement under the former AASB 117 Leases in accordance with NSW Treasury mandates. In the prior year, finance leases included buses that were reclassified to lease liabilities on 1 July 2019 due to the introduction of AASB 16 Leases. Refer to Note 15 for further information.

All other lease liabilities are determined in accordance with AASB 117 Leases until 30 June 2019 and in accordance with AASB 16 from 1 July 2019. Lease liabilities relate to leases that had previously been classified as operating leases under AASB 117 and buses that were reclassified to lease liabilities on 1 July 2019 as noted above. Refer to Notes 1(j)(iii) and 15 for further information.

#### **(iii) Financial liabilities at amortised cost**

Financial liabilities at amortised cost relate to Public Private Partnership (PPP) contracts for the construction of Sydney Light Rail – CBD and South East Light Rail projects \$1,916.7 billion (2019: nil), and Sydney Metro Northwest and City and South West projects \$1,710.2 billion (2019: \$1,833.6 billion). Following the guidelines set out in NSW Treasury Policy Paper 06-8 “Accounting for Privately Financed Projects”, the carrying amount of these financial liabilities has been calculated based on the present value of future payments. As at 30 June 2020, the consolidated entity recognised the full carrying amount of the financial liability, following the First Passenger Service Stage 1 (Randwick to Circular Quay) opening to the public on 14 December 2019 and the First Passenger Service Stage 2 (Kingsford to Circular Quay) opening to the public on 3 April 2020.

#### **(iv) Financial liabilities at fair value**

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held-for-trading if they are incurred for the purpose of repurchasing in the near term or on initial recognition are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

## 20. Borrowings (cont'd)

### Recognition and measurement (cont'd)

#### (vi) Financial liabilities at fair value (cont'd)

Derivatives are carried as financial liabilities when the fair value is negative. Gains or losses on liabilities held-for-trading are recognised in the net result. Management only designates an instrument at FVPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

- the designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis; or
- The liabilities are part of a group of financial liabilities, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- the liabilities contain one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited.

The consolidated entity has not designated any financial liability as at fair value through profit or loss.

The changes in fair value of liabilities designated at fair value through profit or loss are recorded in profit or loss with the exception of movements in fair value due to changes in the entity's own credit risk are recorded in other comprehensive income and do not get recycled to net result.

#### (vii) 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.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value, being the premium received. After initial recognition, the liability is measured at the higher of the amount initially recognised, less accumulated amortisation, and an expected credit loss provision.

The consolidated entity has reviewed its financial guarantees and determined that there is no material liability to be recognised for financial guarantee contracts as at 30 June 2020 and as at 30 June 2019. However, refer to Note 25 regarding disclosures on contingent liabilities.

### Changes in liabilities arising from financing activities

2020	Balance at 1 July	Cash flows	Non-cash changes	Balance at 30 June
<b>Consolidated</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
TCorp borrowings	2,519,928	5,230	(20,619)	2,504,539
Finance leases	3,158,642	(68,059)	(2,914,067)	176,516
Financial liabilities at amortised cost	1,833,630	(136,928)	1,930,152	3,626,854
Lease liabilities	-	(178,543)	4,194,826	4,016,283
Financial liabilities at fair value	1,286	6,058	-	7,344
<b>Total liabilities from financing activities</b>	<b>7,513,486</b>	<b>(372,242)</b>	<b>3,190,292</b>	<b>10,331,536</b>
2019				
<b>Consolidated</b>				
TCorp borrowings	3,035,444	147,679	(663,195)	2,519,928
Finance leases	3,152,238	(228,121)	234,525	3,158,642
Financial liabilities at amortised cost	-	-	1,833,630	1,833,630
Financial liabilities at fair value	2,189	(899)	-	1,286
<b>Total liabilities from financing activities</b>	<b>6,189,871</b>	<b>(81,341)</b>	<b>1,404,960</b>	<b>7,513,486</b>

There were no changes in liabilities from financing activities arising in respect of the Parent (2019: none).

## 21. Employee benefits

	<b>Consolidated 2020 \$'000</b>	<b>Consolidated 2019 \$'000</b>	<b>Parent 2020 \$'000</b>	<b>Parent 2019 \$'000</b>
Annual leave <sup>1</sup>	392,223	337,402	174	169
Long service leave <sup>1</sup>	438,510	411,658	53	43
Workers compensation insurance	23,642	22,220	-	-
Payroll tax	7,893	7,102	-	-
Public holidays	12,936	12,817	-	-
Severance payments/redundancies	15,013	9,943	-	-
<b>Current employee benefits and related on-costs</b>	<b>890,217</b>	<b>801,142</b>	<b>227</b>	<b>212</b>
Long service leave	34,742	33,648	-	-
Workers compensation insurance	92,590	83,796	-	-
Superannuation	1,215,272	1,217,132	-	-
<b>Non-current employee benefits and related on-costs</b>	<b>1,342,604</b>	<b>1,334,576</b>	<b>-</b>	<b>-</b>

<sup>1</sup> It is estimated that the provision for annual leave includes \$141.6 million (2019: \$67.2 million) and long service leave includes \$422.8 million (2019: \$343.5 million) that are expected to be paid later than 12 months.

### Recognition and measurement

#### (i) Salaries and wages, annual leave, sick leave and on-costs

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

Annual leave is not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. As such, it is required to be measured at present value in accordance with AASB 119 Employee Benefits (although short-cut methods are permitted). Actuarial advice obtained by Treasury has confirmed that the use of a nominal approach plus the annual leave on annual leave liability (using 7.9% of the nominal value of annual leave) can be used to approximate the present value of the annual leave liability. The consolidated entity has assessed the actuarial advice based on the consolidated entity's circumstances and has determined that the effect of discounting is immaterial to annual leave.

Unused non-vesting sick leave does not give rise to a liability as it is not considered probable that sick leave taken in the future will be greater than the benefits accrued in the future.

#### (ii) Long service leave and superannuation

A liability for long service leave is measured in accordance with AASB 119 Employee Benefits at the present value of future payments anticipated for the employee services that the consolidated entity has taken at the reporting date. An actuary calculates this using:

- expected future wage and salary levels;
- experience of employee departures; and
- periods of service.

Estimated future cash outflows are discounted using market yields at the reporting date that closely match the term of maturity of government bonds.

## **21. Employee benefits (cont'd)**

### **Recognition and measurement (cont'd)**

Apart from the parent entity and some Transport Service of New South Wales employees, the controlled entities are responsible for funding their employees' accrued long service leave entitlements which are reported under employee benefits. However, in the case of the parent entity and some Transport Service employees, the long service leave liabilities are assumed by the Crown Entity and accordingly are recognised in the Statement of comprehensive income as "Acceptance by the Crown Entity of employee benefits and other liabilities".

In the case of defined benefit plans (SASS, SANCSS and SSS), the net superannuation liability or asset is recognised in accordance with AASB 119 Employee Benefits. It is measured as the difference between the present value of members' accrued benefits (as determined by actuaries) as at reporting date and the fair value of the superannuation scheme's assets at that date, determined through actuarial assessment. Actuarial gains and losses are recognised outside of the net result in the other comprehensive income in the year in which they occur.

For those group entities that are responsible for funding their accrued superannuation liabilities, superannuation expense recognised in the Statement of comprehensive income comprises:

- For defined contribution plans, the contribution payable for the period; and
- For defined benefit plan, service cost and net interest on the net superannuation liability or asset as determined by the actuaries.

In the case of the parent entity, the superannuation expense recognised in the Statement of comprehensive income comprises the contribution payable for the period.

### **(iii) Consequential on-costs**

Consequential costs to employment are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised. This includes outstanding amounts of payroll tax, workers' compensation insurance premiums and fringe benefits tax.

### **Defined-benefit superannuation overview**

This overview only relates to those employees whose defined benefit superannuation schemes are not assumed by the Crown Entity.

Employer contributions are made to three defined-benefit superannuation schemes administered by the SAS Trustee Corporation (STC): The State Authorities Superannuation Scheme (SASS), the State Authorities Non-Contributory Superannuation Scheme (SANCSS) and the State Superannuation Scheme (SSS), which together form the Pooled Fund. Each scheme is closed to new members and its investments are held in trust by the Pooled Fund. At least a component of the final benefit is derived from a multiple of members' salary and years of membership. All Fund assets are invested by SAS Trustee Corporation at arm's length through independent fund managers.

An underfunded scheme is recognised as a provision and an overfunded scheme is recognised as an asset. Details of both provisions and assets are given below.



**Department of Transport**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**21. Employee benefits (cont'd)**

Year ended 30 June 2020	SASS	SANCS	SSS	Total
<b>Member numbers</b>				
Contributors	1,521	1,523	2	
Deferred benefits	-	-	-	
Pensioners	955	-	40	
Pensions fully commuted	-	-	2	
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Superannuation position for AASB 119 purposes</b>				
Accrued liability <sup>1</sup>	2,316,960	151,862	81,131	2,549,953
Estimated reserve account balance	(1,208,269)	(92,153)	(34,259)	(1,334,681)
<b>Deficit/(surplus)</b>	<b>1,108,691</b>	<b>59,709</b>	<b>46,872</b>	<b>1,215,272</b>
Future service liability <sup>2</sup>	26,285	34,324	340	60,949
Surplus in excess of recovery available from schemes	-	-	-	-
<b>Net (asset)/liability to be recognised in Statement of financial position</b>	<b>1,108,691</b>	<b>59,709</b>	<b>46,872</b>	<b>1,215,272</b>

Year ended 30 June 2019	SASS	SANCS	SSS	Total
<b>Member numbers</b>				
Contributors	1,684	1,686	2	
Deferred benefits	-	-	-	
Pensioners	909	-	40	
Pensions fully commuted	-	-	-	
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Superannuation position for AASB 119 purposes</b>				
Accrued liability <sup>1</sup>	2,384,069	153,611	82,252	2,619,932
Estimated reserve account balance	(1,268,698)	(98,784)	(35,317)	(1,402,799)
<b>Deficit/(surplus)</b>	<b>1,115,371</b>	<b>54,827</b>	<b>46,935</b>	<b>1,217,133</b>
Future service liability <sup>2</sup>	36,692	37,386	410	74,488
Surplus in excess of recovery available from schemes	-	-	-	-
<b>Net (asset)/liability to be recognised in Statement of financial position</b>	<b>1,115,371</b>	<b>54,827</b>	<b>46,935</b>	<b>1,217,133</b>

1. The accrued liability includes a contribution tax provision. This is calculated based on grossing up the deficit less the allowance for past service expenses and insurable death and disability liabilities at a contribution tax rate of 15%.

2. The Future Service Liability (FSL) does not have to be recognised by an employer. It is only used to determine if an asset ceiling limit should be imposed (AASB 119 para 64). Under AASB 119, any prepaid superannuation asset recognised cannot exceed the present value of any economic benefits that may be available in the form of refunds from the plan or reductions in future contributions to the plan. Where the "surplus in excess of recovery" is zero, no asset ceiling limit is imposed. (note: this also includes a contribution tax provision).

• **Nature of the benefits provided by the fund**

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

- \* State Authorities Superannuation Scheme (SASS)
- \* State Superannuation Scheme (SSS)
- \* State Authorities Non-contributory Superannuation Scheme (SANCS)
- \* Police Superannuation Scheme (PSS) – liability assumed by the Crown Entity

## **21. Employee benefits (cont'd)**

- **Nature of the benefits provided by the fund (cont'd)**

These schemes are all defined benefit schemes – at least a component of the final benefit is derived from a multiple of member salary and years of membership. Members receive lump sum or pension benefits on retirement, death, disablement and withdrawal.

All the Schemes are closed to new members.

- **Description of the regulatory framework**

The schemes in the Pooled Fund are established and governed by the following NSW legislation: Superannuation Act 1916, State Authorities Superannuation Act 1987, Police Regulation (Superannuation) Act 1906, State Authorities Non-Contributory Superannuation Scheme Act 1987, and their associated regulations.

The schemes in the Pooled Fund are exempt public sector superannuation schemes under the Commonwealth Superannuation Industry (Supervision) Act 1993 (SIS). The SIS Legislation treats exempt public sector superannuation funds as complying funds for concessional taxation and superannuation guarantee purposes.

Under a Heads of Government agreement, the New South Wales Government undertakes to ensure that the Pooled Fund will conform with the principles of the Commonwealth's retirement incomes policy relating to preservation, vesting and reporting to members and that member's benefits are adequately protected.

The New South Wales Government prudentially monitors and audits the Pooled Fund and the Trustee Board activities in a manner consistent with the prudential controls of the SIS legislation. These provisions are in addition to other legislative obligations on the Trustee Board and internal processes that monitor the Trustee Board's adherence to the principles of the Commonwealth's retirement incomes policy.

An actuarial investigation of the Pooled Fund is performed every three years. The last actuarial investigation was performed as at 30 June 2018. The next actuarial investigation will be performed at 30 June 2021.

- **Description of other entities' responsibilities for the governance of the fund**

The Fund's Trustee is responsible for the governance of the Fund. The Trustee has a legal obligation to act solely in the best interests of Fund beneficiaries. The Trustee has the following roles:

- \* Administration of the Fund and payment to the beneficiaries from Fund assets when required in accordance with the Fund rules;
- \* Management and investment of the Fund assets; and
- \* Compliance with other applicable regulations.

- **Description of risks**

There are a number of risks to which the Fund exposes the Employer. The more significant risks relating to the defined benefits are:

- \* Investment risk - The risk that investment returns will be lower than assumed and the Employer will need to increase contributions to offset this shortfall.
- \* Longevity risk – The risk that pensioners live longer than assumed, increasing future pensions.

## 21. Employee benefits (cont'd)

- Description of risks (cont'd)**

- \* Pension indexation risk – The risk that pensions will increase at a rate greater than assumed, increasing future pensions.  
\* Salary growth risk - The risk that wages or salaries (on which future benefit amounts for active members will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions.  
\* Legislative risk - The risk is that legislative changes could be made which increase the cost of providing the defined benefits.

The defined benefit fund assets are invested with independent fund managers and have a diversified asset mix. The Fund has no significant concentration of investment risk or liquidity risk.

- Description of significant events**

There were no fund amendments, settlements or curtailments during the year.

- Reconciliation of the net defined benefit liability/(asset)**

<b>Year ended 30 June 2020</b>	<b>SASS</b>	<b>SANCS</b>	<b>SSS</b>	<b>Total</b>
	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>
Net defined benefit liability/(asset) at start of year	1,115,370	54,827	46,935	1,217,132
Current service cost	13,331	5,214	131	18,676
Net interest on the net defined benefit liability/(asset)	14,471	692	615	15,778
Actual return on Fund assets less Interest income	(11,532)	(1,061)	(352)	(12,945)
Actuarial (gains)/losses arising from changes in financial assumptions	55,246	4,562	394	60,202
Actuarial (gains)/losses from liability experience	(40,050)	246	(137)	(39,941)
Employer contributions	(38,145)	(4,771)	(714)	(43,630)
<b>Net defined benefit liability/(asset) at end of year</b>	<b>1,108,691</b>	<b>59,709</b>	<b>46,872</b>	<b>1,215,272</b>

<b>Year ended 30 June 2019</b>	<b>SASS</b>	<b>SANCS</b>	<b>SSS</b>	<b>Total</b>
	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>
Net defined benefit liability/(asset) at start of year	847,705	39,761	35,788	923,254
Current service cost	14,903	5,290	61	20,254
Net interest on the net defined benefit liability/(asset)	21,872	1,042	948	23,862
Actual return on Fund assets less Interest income	(65,220)	(5,198)	(1,868)	(72,286)
Actuarial (gains)/losses arising from changes in financial assumptions	327,238	13,518	13,184	353,940
Actuarial (gains)/losses from liability experience	20,195	1,755	(1,188)	20,762
Employer contributions	(44,642)	(852)	-	(45,494)
Actuarial (gains)/losses arising from changes in demographic	1,456	201	10	1,667
Effects of transfers in/out due to business combinations and disposals	(8,137)	(690)	-	(8,827)
<b>Net defined benefit liability/(asset) at end of year</b>	<b>1,115,370</b>	<b>54,827</b>	<b>46,935</b>	<b>1,217,132</b>

**Department of Transport**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**21. Employee benefits (cont'd)**

• **Reconciliation of the fair value of fund assets**

<b>Year ended 30 June 2020</b>	<b>SASS \$ '000</b>	<b>SANCS \$ '000</b>	<b>SSS \$ '000</b>	<b>Total \$ '000</b>
Fair value of fund assets at beginning of the year	1,268,698	98,784	35,317	1,402,799
Interest income	16,117	1,226	452	17,795
Actual return on Fund assets less Interest income	11,532	1,061	352	12,945
Employer contributions	38,145	4,771	714	43,630
Contributions by participants	10,085	-	25	10,110
Benefits paid	(121,842)	(13,021)	(2,736)	(137,599)
Taxes, premiums & expenses paid	(14,466)	(668)	133	(15,001)
<b>Fair value of fund assets at end of the year</b>	<b>1,208,269</b>	<b>92,153</b>	<b>34,257</b>	<b>1,334,679</b>

<b>Year ended 30 June 2019</b>	<b>SASS \$ '000</b>	<b>SANCS \$ '000</b>	<b>SSS \$ '000</b>	<b>Total \$ '000</b>
Fair value of fund assets at beginning of the year	1,265,778	107,947	35,373	1,409,098
Interest income	32,307	2,648	901	35,856
Actual return on Fund assets less Interest income	65,220	5,198	1,868	72,286
Employer contributions	44,642	852	-	45,494
Contributions by participants	10,985	-	24	11,009
Benefits paid	(118,261)	(14,566)	(3,193)	(136,020)
Taxes, premiums & expenses paid	374	188	344	906
Settlements*	(32,347)	(3,483)	-	(35,830)
<b>Fair value of fund assets at end of the year</b>	<b>1,268,698</b>	<b>98,784</b>	<b>35,317</b>	<b>1,402,799</b>

\* Transfer of certain employees from Southern Region Depot to Transit Systems West Services Pty Ltd.

• **Reconciliation of the defined benefit obligation**

<b>Year ended 30 June 2020</b>	<b>SASS \$ '000</b>	<b>SANCS \$ '000</b>	<b>SSS \$ '000</b>	<b>Total \$ '000</b>
Present value of defined benefit obligations at beginning of the year	2,384,069	153,611	82,252	2,619,932
Current service cost	13,330	5,214	132	18,676
Interest cost	30,588	1,918	1,067	33,573
Contributions by participants	10,085	-	25	10,110
Actuarial (gains)/losses arising from changes in financial assumptions	55,246	4,562	394	60,202
Actuarial (gains)/losses from liability experience	(40,050)	246	(137)	(39,941)
Benefits paid	(121,841)	(13,021)	(2,736)	(137,598)
Taxes, premiums & expenses paid	(14,466)	(668)	133	(15,001)
<b>Present value of defined benefit obligations at end of the year</b>	<b>2,316,961</b>	<b>151,862</b>	<b>81,130</b>	<b>2,549,953</b>

<b>Year ended 30 June 2019</b>	<b>SASS \$ '000</b>	<b>SANCS \$ '000</b>	<b>SSS \$ '000</b>	<b>Total \$ '000</b>
Present value of defined benefit obligations at beginning of the year	2,113,483	147,708	71,161	2,332,352
Current service cost	14,903	5,290	61	20,254
Interest cost	54,179	3,690	1,849	59,718
Contributions by participants	10,985	-	24	11,009
Actuarial (gains)/losses arising from changes in demographic assumptions	1,456	201	10	1,667
Actuarial (gains)/losses arising from changes in financial assumptions	327,239	13,518	13,184	353,941
Actuarial (gains)/losses from liability experience	20,195	1,755	(1,188)	20,762
Benefits paid	(118,261)	(14,566)	(3,193)	(136,020)
Taxes, premiums & expenses paid	374	188	344	906
Settlements*	(40,484)	(4,173)	-	(44,657)
<b>Present value of defined benefit obligations</b>	<b>2,384,069</b>	<b>153,611</b>	<b>82,252</b>	<b>2,619,932</b>

\* Transfer of certain employees from Southern Region Depot to Transit Systems West Services Pty Ltd.

## 21. Employee benefits (cont'd)

- Reconciliation of the effect of the asset ceiling

Year ended 30 June 2020	SASS \$ '000	SANCS \$ '000	SSS \$ '000	Total \$ '000
Adjustment for effect of asset ceiling at beginning of the year	-	-	-	-
Change in the effect of asset ceiling	-	-	-	-
<b>Adjustment for effect of asset ceiling at end of the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Year ended 30 June 2019	SASS \$ '000	SANCS \$ '000	SSS \$ '000	Total \$ '000
Adjustment for effect of asset ceiling at beginning of the year	-	-	-	-
Change in the effect of asset ceiling	-	-	-	-
<b>Adjustment for effect of asset ceiling at end of the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The adjustment for the effect of asset ceiling has been determined based on the maximum economic benefit available to the entity in the form of reductions in future employer contributions.

## 21. Employee benefits (cont'd)

- **Fair value of fund assets**

All Pooled Fund assets are invested by SAS Trustee Corporation (STC) at arm's length through independent fund managers. Assets are not separately invested for each entity and it is not possible or appropriate to disaggregate and attribute fund assets to individual entities. As such, the disclosures below relate to total assets of the Pooled Fund.

Year ended 30 June 2020	Total	Quoted prices in active markets for identical assets Level 1	Significant observable inputs Level 2	Unobservable inputs Level 3
Asset category	\$ '000	\$ '000	\$ '000	\$ '000
Short term securities	4,096,298	1,889,511	2,206,787	-
Australian fixed interest	1,066,748	-	1,066,748	-
International fixed interest	1,909,423	30,408	1,879,015	-
Australian equities	7,294,211	6,901,927	392,284	-
International equities	11,950,330	11,487,308	463,022	-
Property	3,352,766	644,805	16,266	2,691,695
Alternatives	10,522,833	23,408	4,337,075	6,162,350
<b>Total</b>	<b>40,192,609</b>	<b>20,977,367</b>	<b>10,361,197</b>	<b>8,854,045</b>

Year ended 30 June 2019	Total	Quoted prices in active markets for identical assets Level 1	Significant observable inputs Level 2	Unobservable inputs Level 3
Asset category	\$ '000	\$ '000	\$ '000	\$ '000
Short term securities	4,042,116	2,135,561	1,906,555	-
Australian fixed interest	2,294,672	4,993	2,289,679	-
International fixed interest	1,968,094	6,827	1,952,396	8,871
Australian equities	8,368,928	7,818,302	547,571	3,055
International equities	11,387,439	8,795,299	2,592,132	8
Property	3,588,230	698,607	717,079	2,172,544
Alternatives	10,558,182	327,329	5,758,095	4,472,758
<b>Total</b>	<b>42,207,661</b>	<b>19,786,918</b>	<b>15,763,507</b>	<b>6,657,236</b>

Level 1 - quoted prices in active markets for identical assets or liabilities. The assets in this level are listed shares and listed unit trusts.

Level 2 - inputs other than quoted prices observable for the asset or liability either directly or indirectly. The assets in this level are cash, notes, government, semi-government and corporate bonds, unlisted trusts where quoted prices are available in active markets for identical assets or liabilities.

Level 3 - inputs for the asset or liability that are not based on observable market data. The assets in this level are unlisted property, unlisted shares, unlisted infrastructure, distressed debt and hedge funds.

## 21. Employee benefits (cont'd)

- Fair value of fund assets (cont'd)**

The percentage invested in each asset class at the reporting date is:

	2020 %	2019 %
Short term securities	10.2	9.6
Australian fixed interest	2.7	5.4
International fixed interest	4.8	4.7
Australian equities	18.1	19.8
International equities	29.7	27.0
Property	8.3	8.5
Alternatives	26.2	25.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

Derivatives, including futures and options, can be used by investment managers. However, each manager's investment mandate clearly states that derivatives may only be used to facilitate efficient cash flow management or to hedge the portfolio against market movements and cannot be used for speculative purposes or gearing of the investment portfolio. As such managers make limited use of derivatives.

- Fair value of entity's own financial instruments**

The fair value of the Pooled Fund assets include as at 30 June 2020 of \$36.9 million (2019: \$99.5 million) in NSW government bonds.

Of the direct properties owned by the Pooled Fund:

\* SAS Trustee Corporation occupies part of a property 100% owned by the Pooled Fund with a fair value of \$340 million (30 June 2019: \$316 million).

\* Health Administration Corporation occupies part of a property 50% owned by the Pooled Fund with a fair value (100% interest) of \$343 million (30 June 2019: \$331 million).

## 21. Employee benefits (cont'd)

- Significant actuarial assumptions at the reporting date

	2020	2019
Discount rate	0.87% pa	1.32% pa
Salary increase rate (excluding promotional increases)	3.20% pa	3.20% pa
Rate of CPI increase	1.00% for 2019/20; 0.25% for 2020/21; 1.50% for 2021/22; 1.25% for 2022/23; 1.75% for 2023/24; 2.00% for 2024/25 and 2025/26; 2.25% pa to 2029/30; 2.50% pa thereafter	1.75% 2018/2019 and 2019/20; 2.00% for 2020/21; 2.25% for 2021/22 and 2022/23; 2.50% pa thereafter
Pensioner mortality	The pensioner mortality assumptions are as per the 2018 Actuarial Investigation of the Pooled Fund. These assumptions are disclosed in the actuarial investigation report available from the trustee's website. The report shows the pension mortality rates for each age.	The pensioner mortality assumptions are as per the 2018 Actuarial Investigation of the Pooled Fund. These assumptions are disclosed in the actuarial investigation report available from the trustee's website. The report shows the pension mortality rates for each age.



## 21. Employee benefits (cont'd)

- Sensitivity analysis**

The entity's total defined benefit obligation as at 30 June 2020 under several scenarios is presented below. The total defined benefit obligation disclosed is inclusive of the contribution tax provision which is calculated based on the asset level at 30 June 2020.

Scenarios A to F relate to sensitivity of the total defined benefit obligation to economic assumptions, and scenarios G and H relate to sensitivity to demographic assumptions.

<b>Year ended 30 June 2020</b>	<b>Base case</b>	<b>Scenario A -1% discount rate</b>	<b>Scenario B +1% discount rate</b>
Discount rate	as above	as above - 0.5% pa	as above +0.5% pa
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A\$'000)	2,549,952	2,710,039	2,406,055
	<b>Base case</b>	<b>Scenario C +0.5% rate of CPI increase</b>	<b>Scenario D -0.5% rate of CPI increase</b>
Discount rate	as above	as above	as above
Rate of CPI increase	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A\$'000)	2,549,952	2,666,788	2,443,552
	<b>Base case</b>	<b>Scenario E +0.5% Salary increase rate</b>	<b>Scenario F -0.5% Salary increase rate</b>
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Defined benefit obligation (A\$'000)	2,549,952	2,586,240	2,515,090
	<b>Base case</b>	<b>Scenario G Higher pensioner mortality rates <sup>1</sup></b>	<b>Scenario H Lower pensioner mortality rates <sup>2</sup></b>
Defined benefit obligation (A\$'000)	2,549,952	2,596,471	2,525,433

<sup>1</sup> Assumes the short term pensioner mortality improvement factors for years 2020 - 2023 also apply for years after 2023

<sup>2</sup> Assumes the long term pensioner mortality improvement factors for years post-2023 also apply for years 2020 - 2023

The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other assumptions.

## 21. Employee benefits (cont'd)

### • Sensitivity analysis (cont'd)

The entity's total defined benefit obligation as at 30 June 2019 under several scenarios is presented below. Scenarios A to F relate to sensitivity of the total defined benefit obligation to economic assumptions, and scenarios G and H relate to sensitivity to demographic assumptions.

Year ended 30 June 2019	Base case	Scenario A -1% discount rate	Scenario B +1% discount rate
Discount rate	as above	as above -1.0% pa	as above +1.0% pa
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A\$'000)	2,619,932	2,977,811	2,331,914
	Base case	Scenario C +0.5% rate of CPI increase	Scenario D -0.5% rate of CPI increase
Discount rate	as above	as above	as above
Rate of CPI increase	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A\$'000)	2,619,932	2,741,646	2,509,184
	Base case	Scenario E +0.5% Salary increase rate	Scenario F -0.5% Salary increase rate
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Defined benefit obligation (A\$'000)	2,619,932	2,659,577	2,581,885
	Base case	Scenario G Higher pensioner mortality rates <sup>1</sup>	Scenario H Lower pensioner mortality rates <sup>2</sup>
Defined benefit obligation (A\$'000)	2,619,932	2,665,754	2,595,617

<sup>1</sup> Assumes the short term pensioner mortality improvement factors for years 2019 – 2023 also apply for years after 2023

<sup>2</sup> Assumes the long term pensioner mortality improvement factors for years post-2023 also apply for years 2019 - 2023

The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other assumptions.

### • Asset-Liability matching strategies

The Trustee monitors its asset-liability risk continuously in setting its investment strategy. It also monitors cash flows to manage liquidity requirements. No explicit asset-liability matching strategy is used by the Trustee.

## 21. Employee benefits (cont'd)

- Funding arrangements**

Funding arrangements are reviewed at least every three years following the release of the triennial actuarial review and was last reviewed following completion of the triennial review as at 30 June 2018. Contribution rates are set after discussions between the employer, STC and NSW Treasury.

Funding positions are reviewed annually and funding arrangements may be adjusted as required after each annual review.

- Surplus/deficit**

The following is a summary of the 30 June 2020 financial position of the Fund calculated in accordance with AASB 1056 Accounting Standard "Superannuation Entities":

Year ended 30 June 2020	SASS \$ '000	SANCS \$ '000	SSS \$ '000	Total \$ '000
Accrued benefits*	1,343,103	107,555	37,621	1,488,279
Net market value of fund assets	(1,208,269)	(92,153)	(34,257)	(1,334,679)
<b>Net (surplus)/deficit</b>	<b>134,834</b>	<b>15,402</b>	<b>3,364</b>	<b>153,600</b>

Year ended 30 June 2019	SASS \$ '000	SANCS \$ '000	SSS \$ '000	Total \$ '000
Accrued benefits*	1,359,036	108,550	37,139	1,504,725
Net market value of fund assets	(1,268,698)	(98,784)	(35,317)	(1,402,799)
<b>Net (surplus)/deficit</b>	<b>90,338</b>	<b>9,766</b>	<b>1,822</b>	<b>101,926</b>

\*There is no allowance for a contribution tax provision within the Accrued Benefits figure for AASB 1056. Allowance for contributions tax is made when setting the contribution rates.

- Contribution recommendations**

Year ended 30 June 2020	SASS % p.a.	SANCS % p.a.	SSS % p.a.
Different contributions are recommended for each entity in the consolidated entity. The contributions rates were:			
STA Employment Group (Transport Services)	n/a	n/a	n/a
Year ended 30 June 2019	SASS % p.a.	SANCS % p.a.	SSS % p.a.
Different contributions are recommended for each entity in the consolidated entity. The contributions rates were:			
STA Employment Group (Transport Services)	n/a	n/a	n/a

## 21. Employee benefits (cont'd)

- Economic assumptions**

The economic assumptions adopted for the 30 June 2020 AASB 1056 Accounting Standard "Superannuation Entities" are (these assumptions are consistent with the assumptions to be used for the 2020 actuarial investigation of the Pooled Fund):

<b>Weighted-average assumptions</b>	<b>2020</b>	<b>2019</b>
Expected rate of return on Fund assets backing current pension liabilities	7.0% pa	7.4% pa
Expected rate of return on Fund assets backing other liabilities	6.0% pa	6.4% pa
Expected salary increase rate (excluding promotional salary increases)	3.2% pa	3.2% pa
Expected rate of CPI increase	2.0% pa	2.2% pa

- Expected contributions**

<b>Year ended 30 June 2021</b>	<b>SASS \$ '000</b>	<b>SANCS \$ '000</b>	<b>SSS \$ '000</b>	<b>Total \$ '000</b>
Expected employer contributions	32,141	285	-	32,426
<b>Year ended 30 June 2020</b>	<b>SASS \$ '000</b>	<b>SANCS \$ '000</b>	<b>SSS \$ '000</b>	<b>Total \$ '000</b>
Expected employer contributions	32,426	327	-	32,753

- Maturity profile of defined benefit obligation**

The weighted average duration of the defined benefit obligation is 12 years (2019: 11.8 years).

- Profit and loss impact**

<b>Year ended 30 June 2020</b>	<b>SASS \$ '000</b>	<b>SANCS \$ '000</b>	<b>SSS \$ '000</b>	<b>Total \$ '000</b>
Current service cost	13,330	5,214	132	18,676
Net interest	14,471	692	615	15,778
<b>Defined benefit cost</b>	<b>27,801</b>	<b>5,906</b>	<b>747</b>	<b>34,454</b>
<b>Year ended 30 June 2019</b>	<b>SASS \$ '000</b>	<b>SANCS \$ '000</b>	<b>SSS \$ '000</b>	<b>Total \$ '000</b>
Current service cost	14,903	5,290	61	20,254
Net interest	21,872	1,042	948	23,862
(Gains)/Loss on settlement	(8,137)	(690)	-	(8,827)
<b>Defined benefit cost</b>	<b>28,638</b>	<b>5,642</b>	<b>1,009</b>	<b>35,289</b>

## 21. Employee benefits (cont'd)

- Other comprehensive income

Year ended 30 June 2020	SASS \$ '000	SANCS \$ '000	SSS \$ '000	Total \$ '000
Actuarial (gains) losses on liabilities	15,196	4,809	257	20,262
Actual return on Fund assets less Interest income	(11,532)	(1,061)	(352)	(12,945)
<b>Total remeasurement in other comprehensive income</b>	<b>3,664</b>	<b>3,748</b>	<b>(95)</b>	<b>7,317</b>
Year ended 30 June 2019	SASS \$ '000	SANCS \$ '000	SSS \$ '000	Total \$ '000
Actuarial (gains) losses on liabilities	348,890	15,474	12,006	376,370
Actual return on Fund assets less Interest income	(65,220)	(5,198)	(1,868)	(72,286)
<b>Total remeasurement in other comprehensive income</b>	<b>283,670</b>	<b>10,276</b>	<b>10,138</b>	<b>304,084</b>

## 22. Other provisions

	Consolidated 2020 \$'000	Consolidated 2019 \$'000	Parent 2020 \$'000	Parent 2019 \$'000
Airport Line asset replacement	1,972	3,507	-	-
Ballast disposal	914	1,080	-	-
Land and buildings remediation	20,846	19,432	-	-
Lease make good costs	8,586	6,461	-	-
Legal and related claims	4,651	3,363	-	-
Property reimbursement claims <sup>1</sup>	1,534	2,392	-	-
Public liability claims <sup>1</sup>	4,957	3,963	-	-
Provision for biodiversity	-	10,834	-	-
Integrated Station Development payment obligations <sup>1</sup>	32,002	-	-	-
Other <sup>1</sup>	77,574	21,927	-	-
<b>Current other provisions</b>	<b>153,036</b>	<b>72,959</b>	<b>-</b>	<b>-</b>
Airport Line asset replacement	-	822	-	-
Land and buildings remediation	19,508	19,489	-	-
Lease make good costs	29,882	27,823	-	-
Provision for biodiversity	5,591	6,221	-	-
Other <sup>1</sup>	3,781	45,809	-	-
<b>Non-current other provisions</b>	<b>58,762</b>	<b>100,164</b>	<b>-</b>	<b>-</b>

<sup>1</sup>These provisions are amalgamated into other provisions in the movement note below.

## 22. Other provisions (cont'd)

### Movement in other provisions

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

	<b>Airport Line asset replacement</b>	<b>Ballast disposal</b>	<b>Land and buildings remediation</b>	<b>Lease make good costs</b>	<b>Legal and related claims</b>	<b>Provision for biodiversity</b>	<b>Others</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>		<b>\$'000</b>	<b>\$'000</b>
Carrying amount at the beginning of the financial year	4,329	1,080	38,921	34,284	3,363	17,055	74,091	173,123
Additional provision recognised	-	5,545	16,260	10,807	4,883	1,534	145,990	185,019
Amounts used	(2,365)	(5,711)	(4,151)	(69)	(1,606)	(12,998)	(99,639)	(126,539)
Unused amounts reversed	-	-	(10,708)	(5,444)	(1,989)	-	(870)	(19,011)
Unwinding/change in discount rate	8	-	32	(1,110)	-	-	276	(794)
<b>Carrying amount at the end of the financial year</b>	<b>1,972</b>	<b>914</b>	<b>40,354</b>	<b>38,468</b>	<b>4,651</b>	<b>5,591</b>	<b>119,848</b>	<b>211,798</b>

Interest expense of \$0.1 million (2019: \$0.1 million) is included in finance costs (Note 2(f)) and comprises unwinding or a change in the discount rate on the above provisions.

#### Airport Line asset replacement

The provision of \$2.0 million (2019: \$4.3 million) recognises the contractual obligation to fund the renewal of major track and tunnel assets of the Airport Line by the line's maintenance contractor during the term of the contractor to 2030. Any unused balance of the provision remaining in 2030 will be shared equally with the maintenance contractor.

The liability at year end is the unused portion of the contractually specified maximum sum to be provided. The timing of payments is inherently uncertain as they are based on unpredictable future claims by the maintenance contractor. This provision has been discounted to a present value that reflects the time value of money.

#### Ballast disposal

The provision of \$0.9 million (2019: \$1.1 million) recognises the legal obligation in relation to the disposal of non-recyclable landfill and materials arising from ballast recycling operations.

The liability was assessed at 30 June 2020 (2019: 30 June 2019) by management after investigation of stockpiles at the Chullora site. The timing of the liability is uncertain due to the timing of future disposal.

#### Land and buildings remediation

The provision of \$40.4 million (2019: \$38.9 million) comprises provisions for contaminated land of \$35.0 million (2019: \$34.3 million) and remediation of asbestos contamination of \$5.4 million (2019: \$4.5 million). The provision for contaminated land includes \$9.9 million (2019: \$7.2 million) in relation to the Parramatta Light Rail project for the clearing of industrial waste from previous usage of certain sites and \$20.0 million (2019: \$15.8 million) in relation to remediation work required for Sydney Metro projects. The provision for remediation of asbestos contamination relates to a program of hazardous materials surveys that commenced in 2006 to identify the full extent of contamination and remedial action required in stations, operational buildings and rolling stock.

## **22. Other provisions (cont'd)**

### **Lease make good**

The lease made good provision of \$38.5 million (2019: \$34.3 million) recognises the consolidated entity's obligations to dismantle, remove and restore items of property, plant and equipment on the leased properties to its original condition at the conclusion of the lease. The amount of the provision is the best estimate of the expenditure required to settle the present obligations, discounted to reflect the present value of such expenditures.

### **Legal and related claims**

The provision of \$4.7 million (2019: \$3.4 million) recognises claims against the consolidated entity arising from legislative or contractual breaches or other matters. The liability at year end was assessed by management by reviewing individual claims. The liability is inherently uncertain due to disputes over the existence or quantum of individual claims.

### **Biodiversity**

The provision of \$5.6 million (2019: \$17.1 million) recognises the best estimate of the expenditure required to settle biodiversity credits arising from construction works as well as maintain the required level of biodiversity on land.

### **Other provisions**

Other provisions of \$119.8 million (2019: \$74.1 million) include the following:

- \$6.4 million (2019: Nil) provision for repair to recognise the consolidated entity's obligation to repair damaged rolling stock currently under lease with Reliance Rail.
- \$3.0 million (2019: \$4.2 million) quarry restoration provision to recognise the legal obligation to restore quarry sites when operations cease. The liability at year end was assessed by an independent expert undertaking site inspections to estimate the minimum cost of the necessary restoration work. The liability is inherently uncertain due to the time likely to elapse before the restoration is required.
- \$32.0 million (2019: Nil) provision in relation to future payment obligations in relation to Sydney Metro Integrated Station Development arrangements.
- Other provisions also include compensation and compliance claims, third party property damage, marine damage claims, public risk and other minor provisions.

### **Recognition and measurement**

Other provisions exist when the consolidated entity 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 consolidated entity has a detailed formal plan and it 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.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation including timing of the settlement. If the effect of the time value of money is material, provisions are discounted at a rate that reflects the current market assessments of the time value of money and the risks specific to the liability.

**Department of Transport**  
**Notes to the financial statements**

for the year ended 30 June 2020

**23. Other liabilities**

	<b>Consolidated 2020 \$'000</b>	<b>Consolidated 2019 \$'000</b>	<b>Parent 2020 \$'000</b>	<b>Parent 2019 \$'000</b>
Statutory creditors	13,897	13,501	-	-
Sydney Harbour Tunnel tax liabilities	4,631	4,578	-	-
Holding accounts <sup>1</sup>	294,412	354,566	-	-
Deferred revenue - reimbursement on private sector provided infrastructure	21,617	19,041	-	-
Income received in advance	13,625	69,295	-	-
Liability for former employees' leave entitlements	2,274	2,657	-	-
Contribution from Sydney City Council for light rail	178,900	178,900	-	-
<b>Current other liabilities</b>	<b>529,356</b>	<b>642,538</b>	<b>-</b>	<b>-</b>
Sydney Harbour Tunnel tax liabilities	7,741	11,955	-	-
Deferred revenue - reimbursement on private sector provided infrastructure	575,685	492,995	-	-
Unearned rent on M5 Motorway	2,797	3,310	-	-
Income received in advance	64,275	119,991	-	-
Other	2,866	625	-	-
Security deposit	47	47	-	-
<b>Non-current other liabilities</b>	<b>653,411</b>	<b>628,923</b>	<b>-</b>	<b>-</b>

<sup>1</sup> Holding accounts include e-tag deposits, wetland security deposits, Opal cardholder top-ups and advances.

The entity expects to recognise as income any liability for unsatisfied obligations as at the end of the reporting period over future financial years, as the related asset(s) are constructed/acquired.



## 24. Commitments for expenditure

	Notes	Consolidated 2020 \$'000	Consolidated 2019 \$'000	Parent 2019 \$'000	Parent 2018 \$'000
<b>(a) Capital commitments</b>					
Aggregate capital expenditure for the acquisition of property, plant and equipment contracted for at reporting date and not provided for:					
Not later than one year		6,868,256	8,055,533	-	-
Later than one year and not later than five years		7,336,526	8,310,095	-	-
Later than five years		1,500	1,479	-	-
<b>Total (including GST)</b>		<b>14,206,282</b>	<b>16,367,107</b>	<b>-</b>	<b>-</b>
<b>(b) Other public and private partnerships contract commitments</b>					
Not later than one year		92,236	100,119	-	-
Later than one year and not later than five years		377,963	376,775	-	-
Later than five years		2,052,009	2,155,750	-	-
<b>Total (including GST)</b>		<b>2,522,208</b>	<b>2,632,644</b>	<b>-</b>	<b>-</b>

Input tax on all commitments estimated at \$1,520.8 million (2019: \$1,727.3 million) (parent entity: nil (2019: nil)) will be recouped from the Australian Taxation Office. Other PPP contract commitments represent future payments relating to maintenance and other future payments as at 30 June 2020.

## 25. Contingent assets and contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2020 (2019: nil). The consolidated entity had contingent liabilities and contingent assets at 30 June 2020 in respect of:

### (i) Public Private Partnership arrangements

Sydney Trains has certain obligations under the contract for the rolling stock Public Private Partnership (PPP) and the NSW Government guarantees the performance of those obligations. However, there is no expectation that those guarantees will ever be exercised.

Transport for NSW 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.

### (ii) Litigation

Transport for NSW also has a number of compulsory property acquisition matters under litigation where claims differ from the Valuer General's determined amount. These have an estimated contingent liability of \$1.0 billion (2019: \$779.8 million) and are net of Treasury Managed Fund (TMF) reimbursements. Sydney Metro also has a number of litigation proceedings in relation to property acquisitions for the Metro City & Southwest project. The amount of liability (if any) that may arise in relation to these disputes cannot be measured reliably at this time.

## **25. Contingent assets and contingent liabilities (cont'd)**

Transport for NSW has several contractual disputes with an estimated total contingent liability of \$398.5 million (2019: \$2.4 million). There are a number of other contractual claims that have arisen from the normal course of business. The amount of the liability that may arise from these claims cannot be measured reliably at this time. There is significant uncertainty as to whether a future liability will arise in respect to these items.

There was a dispute in relation to contractual claims and counterclaims relating to the Sydney Metro Northwest project. A non-binding decision was made by the Dispute Avoidance Board (DAB) in relation to that dispute. Both parties have a right to appeal to arbitration against the decision of the DAB. However, no appeal has been lodged. Accordingly, there is uncertainty as to the extent and amount of any potential financial outcome (either liability or amount recoverable by the consolidated entity) that will arise in relation to these disputes.

A statement of claim was filed on 28 August 2018 in the Supreme Court of NSW alleging public and private nuisance as a result of the Sydney Light Rail Project. The proceedings have been brought as representative proceedings. The project specific insurers are managing the conduct of the consolidated entity's defence. It is not possible at this stage to estimate any potential financial effect in excess of the insurance coverage from these proceedings.

Sydney Metro has some other contractual claims that have been made by contractors engaged on the City & Southwest project. The consolidated entity is currently assessing its liability in relation to these claims, the amount of which (if any) cannot be measured reliably at this time.

State Transit Authority of NSW revenue from advertising contracts is under negotiation due to outbreak of COVID-19. It will be recognised during the 2020 financial year when there will be more clarity on the outcome of the contract negotiation.

Transport for NSW has also made a number of claims with an estimated total contingent asset of \$4.4 million (2019: Nil).

### **(iii) Letter of comfort**

Transport for NSW provided a letter of comfort to the Office of Transport Safety Investigations (OTSI) to ensure the ongoing financial viability of OTSI during the 2020 financial year. Transport for NSW and NSW Treasury monitor the financial performance of OTSI on an ongoing basis as part of OTSI's reporting obligation.

### **(iv) Other matters**

In the ordinary course of business, contractual disputes and other claims have been notified to and by entities controlled by the consolidated entity. Further, contractual claims have arisen after the balance date relating to matters occurring during the financial year. The amounts claimed are not disclosed since they are commercial in confidence and the existence or quantum of each claim is usually in dispute and the outcome cannot be measured reliably.

Certain entities controlled by the consolidated entity have environmental matters emerging from their normal operations. There is significant uncertainty as to whether any future liability will emerge due to the early stage of identification or works for many of these matters, and as such a liability cannot be accurately calculated at the date of preparation of these financial statements. Where there is a legal or constructive obligation to undertake remediation and the cost can be reliably estimated a provision is made (refer Note 22).

**Department of Transport**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**26. Reconciliation of net cash flows from operating activities to net result**

	<b>Consolidated 2020 \$'000</b>	<b>Consolidated 2019 \$'000</b>	<b>Parent 2020 \$'000</b>	<b>Parent 2019 \$'000</b>
Net cash inflows/(outflows) from operating activities	10,024,100	10,270,178	74	110
Acceptance by the Crown Entity of employee benefits and other liabilities	80,935	108,810	67	72
Depreciation and amortisation	(3,889,044)	(3,504,512)	-	-
Non-cash revenue and expenses	524,069	257,199	(67)	(72)
Derecognition, impairment and write off assets	(568,357)	(278,286)	-	-
Transfer to councils, NSW government agencies & other parties	(595,794)	(324,260)	-	-
Revaluation increment/(decrement) of assets	-	(182,174)	-	-
Net gain/(loss) on sale of assets held for sale	2,760	(153)	-	-
(Impairment)/reversal of receivables	(8,189)	(618)	-	-
(Decrease)/increase in receivables, inventories and other assets	230,173	(8,469)	(74)	(58)
(Increase)/decrease in payables and provisions	288,640	(152,984)	-	(52)
(Increase)/decrease in contract liabilities	(303,535)	-	-	-
Net gain/(loss) on sale of property, plant and equipment & intangible assets	(194,321)	(296,073)	-	-
Net gain/(loss) on disposal of right of use assets	(7,946)	-	-	-
<b>Reconciliation to net result</b>	<b>5,583,491</b>	<b>5,888,658</b>	<b>-</b>	<b>-</b>

**27. Non-cash financing and investing activities**

	<b>Consolidated 2020 \$'000</b>	<b>Consolidated 2019 \$'000</b>	<b>Parent 2020 \$'000</b>	<b>Parent 2019 \$'000</b>
<b>Notes</b>				
Refinancing gains on borrowings	49,620	-	-	-
Lease liabilities in respect of acquisition of plant and equipment	(84,299)	(158,780)	-	-
M2 and Eastern Distributor promissory notes 3(h)	4,318	1,782	-	-
Financial liabilities in respect of Sydney Light Rail	(1,916,685)	-	-	-
<b>Non-cash financing activities</b>	<b>(1,947,046)</b>	<b>(156,998)</b>	<b>-</b>	<b>-</b>
Plant and equipment acquired by lease	84,299	158,780	-	-
Transfer to councils, NSW government agencies & other parties 14	(596,992)	(333,431)	-	-
Value of emerging interests in private sector provided infrastructure 3(h)	449,225	270,836	-	-
Assets recognised for the first time 3(h),14	91,615	13,461	-	-
Recognition of Epping to Chatswood Rail Link & Landcom improvement liabilities	-	(74,069)	-	-
Assets impairment 5	(568,357)	(278,286)	-	-
Assets disposed without cash proceeds	(143,108)	(95,286)	-	-
Capitalisation of Sydney Light Rail asset	1,916,685	-	-	-
Major periodic maintenance work by Transdev	1,819	6,332	-	-
Equity transfers 31	108,864	568,351	-	-
Net revaluation increment/(decrement) in net result 5	-	(182,174)	-	-
<b>Non-cash investing activities</b>	<b>1,344,050</b>	<b>54,514</b>	<b>-</b>	<b>-</b>
<b>Non-cash financing and investing activities</b>	<b>(602,996)</b>	<b>(102,484)</b>	<b>-</b>	<b>-</b>

## 28. Administered assets and liabilities

	<b>Consolidated 2020 \$'000</b>	<b>Consolidated 2019 \$'000</b>	<b>Parent 2020 \$'000</b>	<b>Parent 2019 \$'000</b>
Cash	44,068	40,303	-	-
<b>Administered assets</b>	<b>44,068</b>	<b>40,303</b>	<b>-</b>	<b>-</b>
Payables	316,451	298,551	-	-
<b>Administered liabilities</b>	<b>316,451</b>	<b>298,551</b>	<b>-</b>	<b>-</b>

### Recognition and measurement

The consolidated entity administers, but does not control, certain activities on behalf of the Crown Entity and the National Heavy Vehicle Regulator. It is accountable for the transactions relating to those administered activities but does not have the discretion, for example, to deploy the resources for the achievement of the consolidated entity's own objectives.

Transactions and balances relating to the administered activities are not recognised as the consolidated entity's income, expenses, assets and liabilities but are disclosed above.

Where appropriate the accrual basis of accounting and applicable accounting standards have been adopted for the reporting of the administered activities.

## 29. Correction of prior year balances

### Road infrastructure systems

The former RMS has recognised a prior period adjustment to revise the fair value of its roads assets. The adjustment has arisen mainly due to following:

- Some culverts, a component of the road assets, were duplicated in 2019 as these span over two or more road segments. The duplicate culverts have now been removed and this has decreased the fair value by \$290.1 million as at 30 June 2019.
- In 2018, retaining walls were valued using inventory information from the slope risk management system. However in the current period from a review performed, it was determined this inventory information was unsuitable to be relied upon for financial reporting purposes. Therefore an alternative percentage cost assumption has now been used to determine the fair value of the retaining walls retrospectively. This has resulted in the decrease in the fair value of roads assets by \$812.0 million as at 30 June 2019.

In aggregate both the adjustments have resulted in the decrease in the fair value of roads assets by \$1.1 billion, cumulated decrease in asset revaluation reserve by \$1.2 billion and increase in accumulated funds by \$65.5 million as a result of decrease in depreciation expenses. The adjustment has been adjusted against the opening balance of equity and represents only 0.8% of the reported infrastructure systems assets fair value of \$145.7 billion at 30 June 2019.

The impact to the Statement of comprehensive income and Statement of financial position from restating the balances in the prior year due to the above matters are shown below:

**Department of Transport**  
**Notes to the financial statements**

for the year ended 30 June 2020

**29. Correction of prior year balances (cont'd)**

**Statement of comprehensive income**

For the year ended 30 June 2019

	Notes	Consolidated Actual 2019 \$'000	Consolidated adjustment \$'000	Consolidated Restated 2019 \$'000
<b>Expenses excluding losses</b>				
Operating expenses				
Employee related expenses	2(a)	2,974,313	-	2,974,313
Other operating expenses	2(b)	3,487,614	-	3,487,614
Depreciation and amortisation	2(d)	3,556,799	(52,287)	3,504,512
Grants and subsidies	2(e)	1,120,856	1,052	1,121,908
Finance costs	2(f)	375,856	-	375,856
Other expenses	2(g)	1,297,703	-	1,297,703
<b>Total expenses excluding losses</b>		<b>12,813,141</b>	<b>(51,235)</b>	<b>12,761,906</b>
<b>Revenue</b>				
Appropriation	3(a)	12,167,574	-	12,167,574
Sale of goods and services	3(b)	2,294,311	-	2,294,311
Investment revenue	3(c)	216,106	-	216,106
Retained taxes, fees and fines	3(d)	28,768	-	28,768
Grants and contributions	3(e)	4,317,656	558	4,318,214
Acceptance by the Crown Entity of employee benefits and other liabilities	3(f)	108,810	-	108,810
Other revenue	3(h)	311,443	-	311,443
<b>Total revenue</b>		<b>19,444,668</b>	<b>558</b>	<b>19,445,226</b>
Gain/(loss) on disposal	4	(296,226)	-	(296,226)
Other gains/(losses)	5	(499,520)	1,702	(497,818)
Impairment losses on financial assets	8	(618)	-	(618)
<b>Net result</b>		<b>5,835,163</b>	<b>53,495</b>	<b>5,888,658</b>
<b>Other comprehensive income</b>				
Items that may be reclassified subsequently to net result				
Net gains/(losses) in commodity swaps and foreign exchange		14,852	-	14,852
Items that will not be reclassified to net result				
Net increase/(decrease) in asset revaluation surplus	14	3,424,320	(178,761)	3,245,559
Remeasurement of defined benefit superannuation schemes	21	(304,084)	-	(304,084)
<b>Total other comprehensive income</b>		<b>3,135,088</b>	<b>(178,761)</b>	<b>2,956,327</b>
<b>Total comprehensive income</b>		<b>8,970,251</b>	<b>(125,266)</b>	<b>8,844,985</b>

**Department of Transport**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**29. Correction of prior year balances (cont'd)**

**Statement of financial position**  
**as at 1 July 2018 and 30 June 2019**

	Notes	Consolidated Actual 1 July 2018 \$'000	Consolidated adjustment \$'000	Consolidated Restated 1 July 2018 \$'000	Consolidated Actual 2019 \$'000	Consolidated adjustment \$'000	Consolidated Restated 2019 \$'000
<b>ASSETS</b>							
<b>Current assets</b>							
Cash and cash equivalents	7	2,493,008	-	2,493,008	2,700,913	-	2,700,913
Receivables	8	1,100,022	-	1,100,022	1,183,938	-	1,183,938
Inventories	10	31,621	-	31,621	32,562	-	32,562
Financial assets at fair value	11	115,283	-	115,283	123,142	-	123,142
Non-current assets held for sale	12	1,644	-	1,644	31,472	-	31,472
Other financial assets	13	376,887	-	376,887	100,000	-	100,000
<b>Total current assets</b>		<b>4,118,465</b>	<b>-</b>	<b>4,118,465</b>	<b>4,172,027</b>	<b>-</b>	<b>4,172,027</b>
<b>Non-current assets</b>							
Receivables	8	1,590,674	-	1,590,674	2,717,870	-	2,717,870
Inventories	10	31,062	-	31,062	35,694	-	35,694
Financial assets at fair value	11	1,693	-	1,693	19,256	-	19,256
Other financial assets	13	223,998	-	223,998	237,226	-	237,226
Property plant & equipment						-	
Land and buildings	14	4,234,689	-	4,234,689	4,615,467	-	4,615,467
Plant and equipment	14	6,495,077	-	6,495,077	7,888,079	-	7,888,079
Infrastructure systems	14	134,011,741	(976,348)	133,035,393	145,686,334	(1,101,614)	144,584,720
Property, plant and equipment	14	144,741,507	(976,348)	143,765,159	158,189,880	(1,101,614)	157,088,266
Intangible assets	16	1,676,639	-	1,676,639	1,484,928	-	1,484,928
Other assets	17	4,929,187	-	4,929,187	3,479,730	-	3,479,730
<b>Total non-current assets</b>		<b>153,194,760</b>	<b>(976,348)</b>	<b>152,218,412</b>	<b>166,164,584</b>	<b>(1,101,614)</b>	<b>165,062,970</b>
<b>Total assets</b>		<b>157,313,225</b>	<b>(976,348)</b>	<b>156,336,877</b>	<b>170,336,611</b>	<b>(1,101,614)</b>	<b>169,234,997</b>
<b>LIABILITIES</b>							
<b>Current liabilities</b>							
Payables	19	2,860,098	-	2,860,098	2,756,443	-	2,756,443
Borrowings	20	263,695	-	263,695	334,901	-	334,901
Employee benefits	21	772,203	-	772,203	801,142	-	801,142
Other provisions	22	70,591	-	70,591	72,959	-	72,959
Other liabilities	23	459,901	-	459,901	642,538	-	642,538
<b>Total current liabilities</b>		<b>4,426,488</b>	<b>-</b>	<b>4,426,488</b>	<b>4,607,983</b>	<b>-</b>	<b>4,607,983</b>
<b>Non-current liabilities</b>							
Borrowings	20	5,926,176	-	5,926,176	7,178,585	-	7,178,585
Employee benefits	21	1,041,558	-	1,041,558	1,334,576	-	1,334,576
Other provisions	22	53,570	-	53,570	100,164	-	100,164
Other liabilities	23	824,658	-	824,658	628,923	-	628,923
<b>Total non-current liabilities</b>		<b>7,845,962</b>	<b>-</b>	<b>7,845,962</b>	<b>9,242,248</b>	<b>-</b>	<b>9,242,248</b>
<b>Total liabilities</b>		<b>12,272,450</b>	<b>-</b>	<b>12,272,450</b>	<b>13,850,231</b>	<b>-</b>	<b>13,850,231</b>
<b>Net assets</b>		<b>145,040,775</b>	<b>(976,348)</b>	<b>144,064,427</b>	<b>156,486,380</b>	<b>(1,101,614)</b>	<b>155,384,766</b>
<b>EQUITY</b>							
Accumulated funds		108,910,678	12,018	108,922,696	115,699,009	65,513	115,764,522
Reserves		31,407,083	(988,366)	30,418,717	34,159,774	(1,167,127)	32,992,647
Contributed capital		4,723,014	-	4,723,014	6,627,597	-	6,627,597
<b>Total equity</b>		<b>145,040,775</b>	<b>(976,348)</b>	<b>144,064,427</b>	<b>156,486,380</b>	<b>(1,101,614)</b>	<b>155,384,766</b>

### 30. Financial instruments

The consolidated entity's principal financial instruments are outlined below. These financial instruments arise directly from the reporting entities operations or are required to finance the consolidated entity's operations.

The consolidated entity does not enter into trade financial instruments, including derivative financial instruments, for speculative purposes. Derivatives are exclusively used for hedging purposes.

The operational activities of the consolidated entity expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk currency risk, and commodity price risk in respect of distillate and electricity purchases). The main risks arising from these financial instruments are outlined below together with the consolidated entity's objectives, policies and processes for measuring and managing risk.

Methods used to measure risk include sensitivity analysis in the case of interest rate, foreign exchange and other commodity price risks, and an ageing analysis for credit risk. Further quantitative and qualitative disclosures are included throughout these financial statements.

The Secretary and each of the Chief Executives of the controlled entities have overall responsibility for the establishment and oversight of risk management and review and determine policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the consolidated entity, to set limits and to monitor risks. Compliance with these policies is reviewed by the consolidated entity on a regular basis.

#### (a) Financial instrument categories

Consolidated	Note	Category	Carrying amount 2020 \$'000	Carrying amount 2019 \$'000
<b>Financial assets</b>				
<b>Class:</b>				
Cash and cash equivalents	7	N/A	2,526,218	2,700,913
Receivables <sup>1</sup>	8	Amortised cost	1,526,023	1,216,947
Financial assets at fair value	11	At fair value through profit or loss - designated as such at initial recognition	119,964	119,614
Financial assets at fair value	11	Fair value through profit or loss - mandatory classification	811	22,784
Other financial assets	13	Amortised cost	259,990	337,226
			<b>4,433,006</b>	<b>4,397,484</b>
<b>Financial liabilities</b>				
<b>Class:</b>				
Payables <sup>2</sup>	19,23	Financial liabilities measured at amortised cost	2,814,799	3,336,206
Borrowings	20	Financial liabilities measured at amortised cost	10,331,536	7,513,486
			<b>13,146,335</b>	<b>10,849,692</b>

<sup>1</sup> Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7).

<sup>2</sup> Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7).

### 30. Financial instruments (cont'd)

#### (a) Financial instrument categories (cont'd)

Parent	Note	Category	Carrying amount 2020 \$'000	Carrying amount 2019 \$'000
<b>Financial assets</b>				
<b>Class:</b>				
Cash and cash equivalents	7	N/A	460	386
Receivables <sup>1</sup>	8	Amortised cost	3	74
			<b>463</b>	<b>460</b>
<b>Financial liabilities</b>				
<b>Class:</b>				
Payables <sup>2</sup>	19	Financial liabilities measured at amortised cost	259	274
			<b>259</b>	<b>274</b>

<sup>1</sup> Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7).

<sup>2</sup> Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7).

#### Recognition and measurement: de-recognition of financial assets and liabilities

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire; or if the consolidated entity transfers the financial asset:

- where substantially all the risks and rewards have been transferred or
- where the consolidated entity has not transferred substantially all the risks and rewards, if the consolidated entity has not retained control.

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

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

#### (b) Derivatives

The consolidated entity only uses derivatives for hedging purposes and not as trading or speculative instruments.

Forward foreign exchange contracts are used to mitigate exchange rate exposure arising from firm commitments for the purchase of goods and services in foreign currency. Forward foreign exchange and commodity swap contracts are used to hedge against commodity price risk on forecast purchases of distillate and electricity.

Generally, forward foreign exchange are designated as hedging instruments in cash flow hedges in accordance with AASB 9 Financial Instruments. The gain or loss from remeasuring these hedging instruments to fair value is recognised in other comprehensive income and deferred in equity in the hedging reserve, to the extent that the hedge is effective. There was no hedge ineffectiveness in the current year. Where forward exchange contracts are not designated as hedging instruments, the gain or loss from remeasuring these contracts is recognised in the net result.



### 30. Financial instruments (cont'd)

#### (b) Derivatives (cont'd)

Generally, commodity swap contracts are designated as cash flow hedges. As at 30 June 2020, there were commodity swap contracts in place for distillate and electricity purchases. The distillate swap contracts were designated as cash flow hedges. The only electricity derivative financial instrument in place was an economic hedge to manage exposure to electricity price risk under the approved risk management policies. This electricity derivative is not designated in a hedge relationship under AASB 9. It is categorised as held for trading and classified in the Statement of financial position as a cash flow hedge. Changes in the fair value of derivative instruments that are not designated in a hedge relationship are recognised immediately in profit or loss as part of gain/ (loss) in fair value of financial instruments.

The consolidated entity held \$0.8 million (2019: \$22.7 million) in derivative financial assets and \$7.3 million (2019: \$1.3 million) in derivative financial liabilities. The parent did not have any derivative financial assets or liabilities (2019: nil).

The following table indicates the periods in which the cash flow associated with cash flow hedges are expected to occur and the carrying amounts of the related hedging instruments.

		Expected Cash Flow					
		Weighted average exchange rate	Contract value \$ '000	No later than 3 months \$ '000	Later than 3 months and no later than 12 months \$ '000	Later than 12 months \$ '000	Total \$ '000
<b>Consolidated</b>							
2020	Denominated in US Dollars	0.6972	5,188	5,028	160	-	5,188
	Denominated in US Dollars	0.6925	9,414	-	9,414	-	9,414
	Denominated in US Dollars	0.6808	10,710	-	-	10,710	10,710
	Denominated in Euros	0.6000	518	518	-	-	518
	Denominated in Euros	0.5810	9,109	-	9,109	-	9,109
	Denominated in Pounds Sterling	0.5099	198	198	-	-	198
<b>Foreign exchange contracts</b>			<b>35,137</b>	<b>5,744</b>	<b>18,683</b>	<b>10,710</b>	<b>35,137</b>
Favourable			80,097	-	(6,449)	2,017	(4,432)
Non-favourable			19,997	-	(10,261)	(9,736)	(19,997)
<b>Commodity hedge contracts</b>			<b>100,094</b>	<b>-</b>	<b>(16,710)</b>	<b>(7,719)</b>	<b>(24,429)</b>
2019	Denominated in US Dollars	0.7338	4,546	4,546	-	-	4,546
	Denominated in US Dollars	0.7341	10,509	-	10,509	-	10,509
	Denominated in US Dollars	0.7468	9,182	-	509	8,673	9,182
	Denominated in US Dollars	0.7347	6,714	-	-	6,714	6,714
	Denominated in Euros	0.6162	8,232	8,232	-	-	8,232
	Denominated in Euros	0.6241	2,600	-	2,600	-	2,600
	Denominated in Euros	0.5879	146,779	-	14,767	132,012	146,779
	Denominated in Euros	0.6111	1,600	-	1,600	-	1,600
	Denominated in Euros	0.6081	586	-	-	586	586
	Denominated in Pounds Sterling	0.5332	231	231	-	-	231
	Denominated in Chinese Yuan	5.2359	89,643	-	8,083	81,560	89,643
	Denominated in Indian Rupee	58.5364	212,303	-	15,389	196,914	212,303
	<b>Foreign exchange contracts</b>		<b>492,925</b>	<b>13,009</b>	<b>53,457</b>	<b>426,459</b>	<b>492,925</b>
Favourable			142,859	-	5,010	4,127	9,137
Non-favourable			13,496	-	8,938	4,558	13,496
<b>Commodity hedge contracts</b>			<b>156,355</b>	<b>-</b>	<b>13,948</b>	<b>8,685</b>	<b>22,633</b>

### **30. Financial instruments (cont'd)**

#### **(b) Derivatives (cont'd)**

All derivatives are measured at fair value. Information about exposures to risks is provided in the following notes: credit risk Note 30(c), foreign exchange and commodity price risk Note 30(e) and Note 30(f) contains information about the methods and assumptions used in determining fair values of derivatives. Further details on derivatives are provided in Notes 11 and 20.

#### **(c) Credit risk**

Credit risk arises where a debtor or counterparty does not complete their obligations, resulting in financial risk to the consolidated entity.

Credit risk can arise from financial assets of the consolidated entity, including cash and cash equivalents, derivative financial instruments, deposits with banks and NSW TCorp, as well as credit exposure to customers, including outstanding receivables and committed transactions. The consolidated entity holds bank guarantees for significant customers as well as property bonds for some leased premises. The consolidated entity has not granted any financial guarantees.

Credit risk policy is aimed at minimising the potential for counter party default.

Credit risk associated with the consolidated entity's financial assets, other than receivables, is managed through the sound selection of counterparties and establishment of minimum credit rating standards. All debt management and investment activities are undertaken with NSW TCorp, which is guaranteed by the NSW Government.

Credit risk impacts on the following financial instruments which are discussed below:

##### **Cash**

Cash comprises cash on hand and bank balances within the NSW Treasury Banking System. Interest is earned on daily bank balances at the prevailing RBA cash rate, adjusted for a management fee to NSW Treasury.

##### **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.

The consolidated entity applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade debtors.

To measure the expected credit losses, trade receivable have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on historical observed loss rates. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The consolidated entity has identified the GDP and the unemployment rate to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors. Trade debtors are written off when there is no reasonable expectation of recovery. No interest is earned on trade debtors. Sales are generally made on 30 day terms.

### 30. Financial instruments (cont'd)

#### (c) Credit risk (cont'd)

The expected credit loss allowance for trade debtors as at 30 June 2020 and 30 June 2019 was determined as follows:

		Expected credit loss rate %	Estimated total gross carrying amount at default \$ '000	Expected credit loss \$ '000
2020	Current	3.71	21,260	789
	<30 days	4.13	14,223	587
	30-60 days	12.32	4,660	574
	61-90 days	0.52	50,918	265
	>91 days	44.54	26,001	11,581
			<b>117,062</b>	<b>13,796</b>
2019	Current	0.10	24,965	35
	<30 days	1.00	31,222	325
	30-60 days	8.20	6,139	505
	61-90 days	7.60	4,377	332
	>91 days	63.20	12,119	7,661
			<b>78,822</b>	<b>8,858</b>

<sup>1</sup> Each column in the table reports "gross receivables".

<sup>2</sup> The aging analysis excludes statutory receivables, prepayments, as these are not within the scope of AASB 7; therefore the total will not reconcile to the receivables total recognised in the Statement of financial position.

<sup>3</sup> There is no credit risk in parent entity in 2020 or 2019.

The parent did not have any expected credit loss on financial assets in 2020 (2019: nil).

#### Derivatives

Transport for NSW, Sydney Trains and Sydney Metro have undertaken both forward exchange currency swaps and commodity swaps. The risks associated with these arrangements are mitigated by only entering into arrangements with reputable, well established financial institutions with high level credit ratings.

#### 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.

#### (d) Liquidity risk

Liquidity risk is the risk that the consolidated entity will be unable to meet its payment obligations when they fall due. The consolidated entity 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.

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

### **30. Financial instruments (cont'd)**

#### **(d) Liquidity risk (cont'd)**

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW TC 11/12. For small business suppliers, where terms are not specified, payment is made not later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, 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 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 consolidated entity has access to credit facilities with NSW TCorp of \$2,782.2 million (2019: \$2,712.2 million) of which \$2,534.8 million (2019: \$2,513.7 million) had been used at reporting date.

**Department of Transport**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**30. Financial instruments (cont'd)**

**(d) Liquidity risk (cont'd)**

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

**Maturity analysis and interest rate exposure of financial liabilities**

<b>Consolidated</b>		<b>Interest rate exposure</b>				<b>Maturity dates</b>		
	<b>Weighted average effective interest rate</b>	<b>Nominal amount' \$ '000</b>	<b>Fixed interest rate \$ '000</b>	<b>Variable interest rate \$ '000</b>	<b>Non- interest bearing \$ '000</b>	<b>&lt; 1 year \$ '000</b>	<b>1 - 5 years \$ '000</b>	<b>&gt; 5 years \$ '000</b>
<b>2020</b>								
<b>Payables</b>								
Trade creditors, accruals and other liabilities		2,814,799	-	-	2,814,799	2,804,144	10,655	-
<b>Borrowings</b>								
TCorp borrowings	2.33	2,800,845	2,713,115	87,730	-	174,955	1,496,891	1,128,999
Finance leases	7.70	193,069	193,069	-	-	87,386	105,683	-
Financial liabilities at amortised cost	8.48	4,442,904	3,183,742	1,259,162	-	1,233,655	1,862,836	1,346,413
Lease liabilities	2.33	8,420,612	8,388,742	31,870	-	415,271	2,171,555	5,833,786
Derivative financial instruments		6,929	6,872	-	57	4,464	2,465	-
		<b>18,679,158</b>	<b>14,485,540</b>	<b>1,378,762</b>	<b>2,814,856</b>	<b>4,719,875</b>	<b>5,650,085</b>	<b>8,309,198</b>
<b>2019</b>								
<b>Payables</b>								
Trade creditors, accruals and other liabilities		3,336,206	-	-	3,336,206	3,118,242	217,964	-
<b>Borrowings</b>								
TCorp borrowings	2.69	2,519,928	2,437,428	82,500	-	82,500	1,438,600	998,828
Finance leases	7.73	3,158,642	3,158,641	-	-	174,334	547,519	2,436,789
Financial liabilities at amortised cost	7.26	1,833,630	1,833,630	-	-	77,288	329,129	1,427,213
Derivative financial instruments		1,286	-	-	1,286	779	507	-
		<b>10,849,692</b>	<b>7,429,700</b>	<b>82,500</b>	<b>3,337,492</b>	<b>3,453,143</b>	<b>2,533,719</b>	<b>4,862,830</b>

**Department of Transport**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**30. Financial instruments (cont'd)**

**(d) Liquidity risk (cont'd)**

Parent	Interest rate exposure				Maturity dates			
	Weighted average effective int. rate (%)	Nominal	Fixed interest	Variable	Non-interest	< 1 year	1 - 5 years	> 5 years
		amount <sup>1</sup>	rate	interest rate	bearing			
		\$ '000	\$ '000	\$ '000	\$ '000			
Trade creditors and accruals		259	-	-	259	259	-	-
<b>Payables</b>		<b>259</b>	<b>-</b>	<b>-</b>	<b>259</b>	<b>259</b>	<b>-</b>	<b>-</b>
Trade creditors and accruals		274	-	-	274	274	-	-
<b>Payables</b>		<b>274</b>	<b>-</b>	<b>-</b>	<b>274</b>	<b>274</b>	<b>-</b>	

<sup>1</sup>The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which the entity can be required to pay. Therefore the amounts disclosed will not reconcile to the Statement of financial position.

### **30. Financial instruments (cont'd)**

#### **(e) Market risk**

Market risk relates to fluctuations in the fair value of future cash flows of financial instruments because of changes in market prices. This applies to the consolidated entity's foreign exchange, interest rate and commodity price hedging instruments.

Sensitivity analysis on market risk is based on a reasonably possible price variability taking into account the economic environment in which the consolidated entity operates and the time frame for assessment, that is, until the end of the next reporting period. The sensitivity analysis is based on financial instruments held at the balance date. The analysis assumes that all other variables remain constant.

The effect on the net result and equity due to a reasonably possible change in risk variable is outlined in the information provided below, for interest rate risk and other price risk including currency movements. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the consolidated entity 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 balance date. The analysis is performed on the same basis as for 2019 and assumes that all other variables remain constant.

The consolidated entity is exposed to market risks in respect of:

#### **(i) Interest rate risk**

Exposure to interest rate risk arises primarily through the consolidated entity's interest bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings, primarily with NSW Treasury Corporation (NSW TCorp).

The consolidated entity's exposure to interest rate risk is set out in the table below.

### 30. Financial instruments (cont'd)

#### (e) Market risk (cont'd)

#### (i) Interest rate risk (cont'd)

		-1%		+1%	
	Carrying amount 2020 \$'000	Net result 2020 \$'000	Equity 2020 \$'000	Net result 2020 \$'000	Equity 2020 \$'000
<b>Consolidated</b>					
<b>Financial assets</b>					
Cash and cash equivalents	2,526,218	(25,267)	(25,267)	25,267	25,267
Financial assets at fair value	120,775	(1,208)	(1,208)	1,208	1,208
Other financial assets	259,990	(2,600)	(2,600)	2,600	2,600
	<b>2,906,983</b>	<b>(29,075)</b>	<b>(29,075)</b>	<b>29,075</b>	<b>29,075</b>
<b>Financial liabilities</b>					
Borrowings	10,331,536	(102,763)	(102,763)	102,763	102,763
	<b>10,331,536</b>	<b>(102,763)</b>	<b>(102,763)</b>	<b>102,763</b>	<b>102,763</b>
		-1%		+1%	
	Carrying amount 2019 \$'000	Net result 2019 \$'000	Equity 2019 \$'000	Net result 2019 \$'000	Equity 2019 \$'000
<b>Consolidated</b>					
<b>Financial assets</b>					
Cash and cash equivalents	2,700,913	(27,009)	(27,009)	27,009	27,009
Financial assets at fair value	142,398	(1,424)	(1,424)	1,424	1,424
Other financial assets	337,226	(3,372)	(3,372)	3,372	3,372
	<b>3,180,537</b>	<b>(31,805)</b>	<b>(31,805)</b>	<b>31,805</b>	<b>31,805</b>
<b>Financial liabilities</b>					
Borrowings	7,513,486	825	825	(825)	(825)
	<b>7,513,486</b>	<b>825</b>	<b>825</b>	<b>(825)</b>	<b>(825)</b>



### 30. Financial instruments (cont'd)

#### (e) Market risk (cont'd)

##### (i) Interest rate risk (cont'd)

		-1%		+1%	
	Carrying amount 2020 \$'000	Net result 2020 \$'000	Equity 2020 \$'000	Net result 2020 \$'000	Equity 2020 \$'000
<b>Parent</b>					
<b>Financial assets</b>					
Cash and cash equivalents	460	(5)	(5)	5	5
	<b>460</b>	<b>(5)</b>	<b>(5)</b>	<b>5</b>	<b>5</b>

		-1%		+1%	
	Carrying amount 2019 \$'000	Net result 2019 \$'000	Equity 2019 \$'000	Net result 2019 \$'000	Equity 2019 \$'000
<b>Parent</b>					
<b>Financial assets</b>					
Cash and cash equivalents	386	(4)	(4)	4	4
	<b>386</b>	<b>(4)</b>	<b>(4)</b>	<b>4</b>	<b>4</b>

##### (ii) Foreign exchange risk

Exposure to foreign exchange risk arises primarily through the contractual commercial transactions denominated in a foreign currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The consolidated entity manages its foreign exchange risk by entering into forward exchange contracts in accordance with each controlled entities' risk management policies.

Foreign exchange risk related to the principal amount of overseas purchase commitments made, that are primarily dominated in Euros, US Dollars and Pounds Sterling have been fully hedged using forward contracts that mature on the same dates as the forecast purchase are due for payment. These contracts are designated as cash flow hedges.

The consolidated entity's exposure to foreign exchange risk is set out in the table below, with all other variables being held constant. All underlying exposure and related hedges are taken into account. The impact on other comprehensive income is due to changes in the fair value of the financial instruments. The impact on equity is due to changes in the fair value of forward exchange contracts designated as cash flow hedges.

A sensitivity of 10% movement in the exchange rates has been selected for use in the sensitivity analysis at the reporting date, as this is considered reasonable, based on the current Australian dollar level and the historical volatility of the Australian dollar against other currencies. Based on the value of the Australian dollar at the reporting date as compared with the currencies below, adverse or favourable movements in the foreign exchange rates would result in an increase or decrease in the Australian dollar fair value respectively.

### 30. Financial instruments (cont'd)

#### (e) Market risk (cont'd)

##### (ii) Foreign exchange risk (cont'd)

		+10%			-10%	
		Contract value	Net result	Equity	Net result	Equity
Consolidated		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
2020	Denominated in US Dollars	25,312	203	2,677	(166)	(2,190)
	Denominated in Euros	9,627	-	1,014	-	(847)
	Denominated in Pounds Sterling	198	-	20	-	(16)
	<b>Foreign exchange contracts</b>	<b>35,137</b>	<b>203</b>	<b>3,711</b>	<b>(166)</b>	<b>(3,053)</b>
2019	Denominated in US Dollars	30,951	(43)	1,723	52	(1,082)
	Denominated in Euros	159,797	(647)	(10,858)	791	13,821
	Denominated in Pounds Sterling	231	-	25	-	(20)
	Denominated in Chinese Yuan	89,643	(417)	(7,925)	510	9,687
	Denominated in Indian Rupee	212,303	(1,013)	(19,245)	1,238	23,522
	<b>Foreign exchange contracts</b>	<b>492,925</b>	<b>(2,120)</b>	<b>(36,280)</b>	<b>2,591</b>	<b>45,928</b>

There is no foreign exchange risk in parent entity.

##### (iii) Commodity price risk

The consolidated entity is exposed to a range of commodity price risks, principally from distillate and electricity purchases.

Australian dollar costs under the supply agreements price mechanism for distillate are reflective of movements in Singapore Gas Oil prices and AUD/USD exchange rates. The consolidated entity hedges its distillate exposure by entering into Singapore Gas Oil swap and US Dollar forward contracts. These distillate swap contracts are designated as cash flow hedges.

The consolidated entity is exposed to electricity price risk associated with the purchase of electricity to operate to operate transport services. The exposure to fluctuations in wholesale market prices is managed by entering into fixed price supply arrangements with retailers or to hedge forecast exposure on a portion of the consolidated entity's energy load. Generally, electricity swap contracts are designated as cash flow hedges. However as at 30 June 2020, the only electricity derivative financial instrument was not designated in a hedge relationship under AASB 9. This derivative is categorised as held for trading and classified in the Statement of financial position as a cash flow hedge.

The consolidated entity's exposure to commodity price risk is set out in the table below, with all other variables being held constant. All underlying exposure and related hedges are taken into account. The impact on net result is due to changes in the fair value of commodity swap contracts that are not designated as being in a hedge relationship under AASB 9. The impact on equity is due to changes in the fair value of commodity swap contracts designated as cash flow hedges. A sensitivity of 10% movement in the spot price of the respective commodities has been selected for use in the sensitivity analysis at the reporting date.

		10%		-10%	
		Contract value	Net Result	Equity	Equity
Consolidated		\$ '000	\$ '000	\$ '000	\$ '000
2020	Distillate	24,014	-	2,401	(2,401)
2020	Electricity	76,080	7,608	-	-
<b>2020</b>		<b>100,094</b>	<b>7,608</b>	<b>2,401</b>	<b>(2,401)</b>
2019	Distillate	22,355	-	2,236	(2,236)
2019	Electricity	76,080	7,608	-	-
<b>2019</b>		<b>98,435</b>	<b>7,608</b>	<b>2,236</b>	<b>(2,236)</b>

### 30. Financial instruments (cont'd)

#### (e) Market risk (cont'd)

##### (iv) Other price risk – TCorpIM Funds

Exposure to 'Other Price Risk' primarily arises through the investment in the NSW TCorpIM Funds, which are held for strategic rather than trading purposes. The consolidated entity has no direct equity investments and holds units in the following TCorpIM Funds Trusts:

Facility	Investment sectors	Investment horizon	2020 \$ '000	2019 \$ '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	38,198	81,475
Long term growth facility	Cash, money market instruments, Australian and international bonds, listed property, and Australian shares	7 years and over	81,766	38,140

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, NSW TCorp has appointed external managers to manage the performance and risks of each facility in accordance with a mandate agreed by the parties. However, NSW TCorp acts as manager for part of the Cash Facility. A significant portion of the administration of the facilities is outsourced to an external custodian.

Investment in the TCorpIM Funds limits the consolidated entity's exposure to risk, as it allows diversification across a pool of funds with different investment horizons and a mix of investments.

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

The impact on the net result as a result of changes in the unit prices of the investments is not considered to be material.

### 30. Financial instruments (cont'd)

#### (f) Fair value compared to carrying amount

Financial instruments are generally recognised at cost, with the exception of the TCorpIM Funds and derivatives, which are measured at fair value.

Other than TCorp borrowings, the amortised cost of all other financial instruments recognised in the Statement of financial position approximates the fair value, because of the short-term nature of many of the financial instruments and the expectation that they will be paid in full.

The following table details the financial instruments where the fair value differs from the carrying amount:

	Carrying amount 2020 \$'000	Fair value 2020 \$'000	Fair value level 2020
<b>Consolidated</b>			
<b>Financial liabilities</b>			
Borrowings	2,504,539	2,678,388	2
	<b>2,504,539</b>	<b>2,678,388</b>	
	Carrying amount 2019 \$'000	Fair value 2019 \$'000	Fair value level 2019
<b>Consolidated</b>			
<b>Financial liabilities</b>			
Borrowings	2,519,928	2,661,946	2
	<b>2,519,928</b>	<b>2,661,946</b>	

### 30. Financial instruments (cont'd)

(g) Fair value hierarchy

	Level 1 2020 \$'000	Level 2 2020 \$'000	Level 3 2020 \$'000	Total 2020 \$'000
<b>Consolidated</b>				
<b>Financial assets</b>				
Derivative financial instruments	-	811	-	811
TCorpIM Funds	-	119,964	-	119,964
	-	<b>120,775</b>	-	<b>120,775</b>
<b>Financial liabilities</b>				
Derivative financial instruments	-	7,344	-	7,344
Borrowings	-	2,678,388	-	2,678,388
	-	<b>2,685,732</b>	-	<b>2,685,732</b>
	Level 1 2019 \$'000	Level 2 2019 \$'000	Level 3 2019 \$'000	Total 2019 \$'000
<b>Consolidated</b>				
<b>Financial assets</b>				
Derivative financial instruments	-	22,784	-	22,784
TCorpIM Funds	-	119,614	-	119,614
	-	<b>142,398</b>	-	<b>142,398</b>
<b>Financial liabilities</b>				
Derivative financial instruments	-	1,286	-	1,286
Borrowings	-	2,519,928	-	2,519,928
	-	<b>2,521,214</b>	-	<b>2,521,214</b>

The consolidated entity 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).

The consolidated entity has assessed the fair value of its financial instruments on the basis of inputs other than quoted prices that are observed directly or indirectly (Level 2).

The fair value of the TCorpIM Funds is based on the entity's share of the value of the underlying assets of the facility, based on the market value. All of the TCorpIM Funds facilities are valued using redemption pricing.

The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date.

The fair value of commodity swap contracts is determined using market prices at the reporting date.

There were no transfers between Level 1, 2 or 3 during the year.

There were no changes in the valuation techniques during the year.

**Department of Transport**  
**Notes to the financial statements**  
for the year ended 30 June 2020

### 31. Equity and reserves

#### (a) Equity transfers

	Notes	Consolidated 2020 \$'000	Consolidated 2019 \$'000	Parent 2020 \$'000	Parent 2019 \$'000
Metro Northwest land transferred from Planning Ministerial Corporation <sup>1</sup>		13,636	-	-	-
Waterloo Metro Quarter Development transferred from Infrastructure NSW <sup>2</sup>		95,228	-	-	-
Land transferred (to)/from Department of Planning and Environment <sup>3</sup>	14	-	(2,661)	-	-
Borrowings transferred to the Crown Entity <sup>4</sup>		-	571,012	-	-
<b>Equity transfers</b>		<b>108,864</b>	<b>568,351</b>	<b>-</b>	<b>-</b>

<sup>1</sup> The Planning Ministerial Corporation transferred land valued at \$13.6 million (2019: nil) surrounding Metro Northwest to Sydney Metro in accordance with a Cabinet decision whereby land previously acquired for the Northwest rail link project and owned by of the Minister was vested to Sydney Metro. This has been accounted for as adjustment to equity in accordance with TPP 09-3.

<sup>2</sup> The Premier approved a transfer of Waterloo Metro Quarter Development valued at \$106.0 million (2019: nil) from Infrastructure NSW to Sydney Metro under the Growth Centres (Development Corporations) Act 1974, and it has been accounted for as adjustment to equity in accordance with TPP 09-3.

<sup>3</sup> In 2019 land valued at \$2.7 million was cleared for return to the Department of Planning and Environment from Roads and Maritime Services having been scoped out of future construction works.

<sup>4</sup> The Treasurer approved the transfer of TCorp borrowings \$571.0 million from Transport for NSW to the Crown Finance Entity on 26 June 2019.

#### Recognition and measurement

Equity transfers represent 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 and "equity appropriations". These equity transfers are designated or required by Accounting Standards to be treated as contributions by owners and recognised as an adjustment to "Accumulated Funds". This treatment is consistent with NSW Treasury Policy and Guidelines Paper Accounting Policy: Contributions by owners made to wholly-owned Public Sector Entities (TPP 09-03), AASB 1004 Contributions and Australian Interpretation 1038 Contributions by Owners made to Wholly-owned Public Sector Entities.

Transfers arising from an administrative restructure involving not-for-profit and for-profit government entities are recognised at the amount at which the assets and liabilities were recognised by the transferor immediately prior to the restructure. Subject to below, 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, the transferee agency recognises the asset at the transferor's carrying amount. Where the transferor is prohibited from recognising internally generated intangibles, the transferee agency does not recognise that asset.

#### (b) 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 consolidated entity's policy on the revaluation of property, plant and equipment as discussed in Note 14 (recognition and measurement (iii) and (iv)).

### 31. Equity and reserves (cont'd)

#### Recognition and measurement (cont'd)

##### (c) Hedge reserve

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and is accumulated in the hedge reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line as the recognised hedged item.

##### (d) Accumulated funds

The category "accumulated funds" includes all current and prior period retained funds.

##### (e) Other reserves

Separate reserve accounts are recognised in the financial statements only if such accounts are required by specific legislation or Australian Accounting Standards.

##### (f) Contributed capital

In accordance with TPP 09-03, the transfer of cash from NSW Treasury to fund capital construction of major rail projects in RailCorp is treated as an equity contribution.

### 32. Related party disclosures

#### (a) Key management personnel compensation

	<b>Consolidated 2020 \$'000</b>	<b>Parent 2020 \$'000</b>	<b>Consolidated 2019 \$'000</b>	<b>Parent 2019 \$'000</b>
Short-term employee benefits	5,472	-	4,204	-
Post-employment benefits	221	-	159	-
Other long-term benefits	-	-	-	-
Termination benefits	-	-	376	-
	<b>5,693</b>	<b>-</b>	<b>4,739</b>	<b>-</b>

#### (b) Transactions and outstanding balances with key management personnel of the Department and its parent during the financial year

There were no material transactions or outstanding balances with key management personnel of the Department and its parent during the financial year.

## **32. Related party disclosures (cont'd)**

### **(c) Transactions and outstanding balances with other related parties during the financial year**

There were no transactions or outstanding balances with other related parties during the financial year.

### **(d) Transactions with government related entities during the financial year**

During the 2020 financial year, the consolidated entity entered into the following transactions with other entities consolidated as part of the NSW Total State Sector (the ultimate parent) within the normal course of business:

- Recurrent and capital draw-downs from NSW Treasury
- Capital funding via equity from NSW Treasury
- Grants and contributions from NSW Treasury to fund redundancy grants in the Transport cluster, the Restart Grants, the former Roads and Maritime Services capital works, Sydney Metro City and Southwest capital works, Northern Beaches B-line project and Parramatta Light Rail project
- Grants and contributions from the Department of Planning and Environment, Landcom, Office of Environment and Heritage, the Department of Justice, the Department of Family & Community Services for the Commonwealth Home Support Program and various NSW government agencies
- Grants and subsidies paid to various NSW government agencies including the Ministry of Health for Parramatta Light Rail Project and roadside drug testing lab, the State Insurance Regulatory Authority for Centre for Road Safety, local councils for the Commonwealth Home Support Program and the NSW Police to support drug and alcohol screening
- All long service leave and defined benefit superannuation scheme expenses relating to Transport for NSW and all senior executives were assumed by the Crown
- The Pooled Fund held in trust the investment relating to the closed NSW public sector superannuation schemes
- Investment in TCorpIM Funds facilities and investment revenue earned from these facilities
- NSW TCorp borrowings and associated interest expense
- Non-cash grants to Sydney Water, Health Administration Corporation and Centennial Park Moore Park Trust

## **33. After balance date events**

### **Transport Asset Holding Entity of New South Wales**

On 1 July 2020, Rail Corporation New South Wales (RailCorp) was renamed the Transport Asset Holding Entity of New South Wales (TAHE) and converted to a statutory State Owned Corporation pursuant to the Transport Administration Act 1988 and the State Owned Corporations Act 1989.

TAHE is not a controlled entity of Transport for NSW or the Department of Transport. TAHE may eventually hold additional public transport assets for the State, including public transport assets currently held by entities controlled by the consolidated entity. The transfer of assets is intended to occur progressively over a number of years if a decision is made to transfer public transport assets currently held by entities controlled by the consolidated entity into TAHE.

Loss of control of TAHE from 1 July 2020 will mean that the net assets and net result of TAHE (previously RailCorp) will no longer be included in the results of the consolidated entity for the year ended 30 June 2021 onwards. Conversely transactions that were previously eliminated within the consolidated entity that related to RailCorp (now TAHE) will now be included in the consolidated entity. For the year ended 30 June 2020, the impact of this would have been a reduction in net assets of \$33.3 billion and an increase to net results of \$267.5 million in the consolidated entity.



### **33. After balance date events (cont'd)**

#### **WestConnex Stage 2**

On 5 July 2020, the M8 (WestConnex Stage 2) was formally opened to traffic. The concession holder will operate this motorway until 2060, after which the motorway will be transferred back to the consolidated entity.

In the 2021 financial year, consolidated-entity-owned infrastructure assets that were contributed towards this stage will be reclassified as a service concession asset in accordance with AASB 1059 Service Concession Arrangements: Grantors. A service concession liability will also be recognised. The estimated financial impact is the recognition of a service concession asset of \$5.5 billion and a service concession liability of \$3.9 billion.

#### **Transition of the Maritime Infrastructure Delivery Office**

The Maritime Infrastructure Delivery Office was established within the former Roads & Maritime (RMS) in July 2018 to improve the coordination and delivery of coastal and boating infrastructure programs as well as to provide a single point of contact and centre of expertise for customers, industry and local government.

Staff from the Department of Planning, Industry and Environment were partially embedded within the consolidated entity under a Memorandum of Understanding. After an initial 12-month trial operating period, the consolidated entity led an evaluation of this operating model. The outcome supported the proposal for a permanent Maritime Infrastructure Delivery Office to be established in the consolidated entity by transferring relevant functions from the Department of Planning, Industry and Environment. The transition was completed on 1 July 2020 when the consolidated entity was transferred employee-related and operating budgets and assumed management of the tenures associated with land for which it is being appointed as Crown Land Manager or head licensee. The estimate of net assets transferred on 1 July 2020 is \$1.9 billion. The ongoing capital and operating budget transferred to the consolidated entity is approximately \$10.0 million and \$5.0 million, respectively, per annum.

#### **COVID-19**

The outbreak of the novel Coronavirus (COVID-19) was declared a global pandemic by the World Health Organisation on 11 March 2020. Measures taken by various governments to contain the virus have affected economic activity. The consolidated entity receives funding from the Consolidated Fund, and the Treasurer has authorised Ministers to spend specified amounts from Consolidated Fund from 1 July 2020 until the earlier of 31 December 2020 (or another day prescribed by the regulations) or enactment of the 2020-21 annual Appropriations Bill. Therefore, there is no risk for the consolidated entity to continue operating as a going concern after 30 June 2020.

At this stage, the impact on the consolidated entity's operations and financial performance has not been material.

The real estate market is being impacted by the uncertainty that the COVID-19 outbreak has caused. Market conditions can change within a relatively short period of time. The consolidated entity has assessed after balance date events to ensure there is no evidence of material market movements in fair value that should be reflected in the fair values of property, plant and equipment assets at 30 June 2020. The consolidated entity notes that there continues to be significant market uncertainty and will continue to assess the implications of COVID-19 on the fair value of its assets when new information becomes available.

Aside from above, no other events have occurred after the balance date that would have a material impact on the financial statements.

#### **End of Audited Financial Statements**



## INDEPENDENT AUDITOR'S REPORT

### Department of Transport

To Members of the New South Wales Parliament

#### Opinion

I have audited the accompanying financial statements of the Department of Transport (the Department), which comprise the Statement of comprehensive income for the year ended 30 June 2020, the Statement of financial position as at 30 June 2020, the Statement of changes in equity and the Statement of cash flows for the year then ended, notes comprising a Summary of significant accounting policies and other explanatory information of the Department and the consolidated entity. The consolidated entity comprises the Department and the entities it controlled at the year's end or from time to time during the financial year.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Department and the consolidated entity as at 30 June 2020, and of their financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E 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 the Department and the consolidated entity 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 (including Independence Standards)' (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.

## Other Information

The Department's annual report for the year ended 30 June 2020 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Secretary of the Department is responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the Statement by the Secretary.

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

## Secretary's Responsibilities for the Financial Statements

The Secretary is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Secretary determines is 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 Secretary is responsible for assessing the ability of the Department and the consolidated entity to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting.

## Auditor's Responsibilities 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/ar3.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf). The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

- that the Department or the consolidated entity carried out their activities effectively, efficiently and economically
- 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.



Margaret Crawford  
Auditor-General for New South Wales

6 November 2020  
SYDNEY



# **Transport for NSW**

Annual Financial Statements

for the year ended 30 June 2020

## Table of Contents

Statement by the Secretary .....	2
Statement of comprehensive income .....	3
Statement of financial position.....	4
Statement of changes in equity .....	5
Statement of cash flows .....	6
1. Summary of significant accounting policies.....	7
2. Expenses excluding losses .....	16
3. Revenue.....	22
4. Gain/(loss) on disposal.....	28
5. Other gains/(losses) .....	28
6. Program groups of Transport for NSW.....	29
7. Cash and cash equivalents .....	33
8. Receivables .....	34
9. Contract assets and liabilities.....	35
10. Inventories .....	35
11. Financial assets at fair value.....	36
12. Non-current assets held for sale .....	37
13. Other financial assets.....	38
14. Property, plant and equipment .....	39
15. Leases .....	60
16. Intangible assets .....	67
17. Other assets.....	76
18. Fair value measurement of non-financial assets .....	76
19. Restricted assets.....	85
20. Payables .....	86
21. Borrowings .....	87
22. Provisions .....	89
23. Other liabilities .....	91
24. Equity and reserves .....	93
25. Commitments for expenditure .....	98
26. Contingent liabilities and contingent assets .....	99
27. Reconciliation of net cash flows from operating activities to net result.....	100
28. Non-cash financing and investing activities.....	100
29. Administered income and expenses .....	101
30. Administered assets and liabilities .....	101
31. Financial instruments .....	102
32. Related party disclosures.....	113
33. After balance date events .....	114

**Transport for NSW**  
**Statement by the Secretary**  
for the year ended 30 June 2020

---

Pursuant to sections 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 Transport for NSW's financial position as at 30 June 2020 and financial performance for the year ended 30 June 2020.
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.



Elizabeth Mildwater  
**Acting Secretary**

Date: 12 October 2020

**Transport for NSW**  
**Statement of comprehensive income**  
for the year ended 30 June 2020

	Notes	Actual 2020 \$'000	Actual 2019 \$'000
<b>Expenses excluding losses</b>			
Operating expenses			
Personnel service expenses	2(a)	800,085	481,179
Other operating expenses	2(b)	1,372,904	780,053
Major rail project expenses	2(c)	1,191,989	1,528,396
Depreciation and amortisation	2(d)	1,469,312	605,309
Grants and subsidies	2(e)	9,561,406	12,951,849
Finance costs	2(f)	107,522	84,633
Other expenses	2(g)	1,527,774	1,521,091
<b>Total expenses excluding losses</b>		<b>16,030,992</b>	<b>17,952,510</b>
<b>Revenue</b>			
Appropriation	3(a)	13,985,459	12,167,574
Sale of goods and services	3(b)	-	305,603
Sale of goods and services from contracts with customers	3(b)	437,610	-
Investment revenue	3(c)	9,532	7,095
Shared and corporate services revenue	3(d)	294,412	413,672
Grants and contributions	3(e)	3,131,692	4,145,873
Retained taxes, fees and fines	3(f)	42,509	-
Major rail project revenue	3(g)	1,191,988	1,528,396
Resources received free of charge	3(h)	44,296	35,062
Other revenue	3(i)	370,096	-
<b>Total revenue</b>		<b>19,507,594</b>	<b>18,603,275</b>
Gain/(loss) on disposal	4	(12,515)	(2,060)
Impairment reversal/(loss) on financial assets	8	(2,828)	701
Other gains/(losses)	5	(635,110)	(30,868)
<b>Net result</b>		<b>2,826,149</b>	<b>618,538</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to net result:</i>			
Net gains/(losses) in commodity swaps and foreign exchange		(69)	(290)
<i>Items that will not be reclassified to net result:</i>			
Net increase/(decrease) in asset revaluation surplus	14	510,894	796
<b>Total other comprehensive income</b>		<b>510,825</b>	<b>506</b>
<b>Total comprehensive income</b>		<b>3,336,974</b>	<b>619,044</b>

The accompanying Notes form part of these financial statements

**Transport for NSW**  
**Statement of financial position**  
as at 30 June 2020

	Notes	Actual 2020 \$'000	Actual 2019 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	1,643,257	841,657
Receivables	8	868,372	373,531
Inventories	10	4,663	-
Financial assets at fair value	11	119,970	9
Non-current assets held for sale	12	39,739	15,472
<b>Total current assets</b>		<b>2,676,001</b>	<b>1,230,669</b>
<b>Non-current assets</b>			
Receivables	8	2,578,807	-
Other financial assets	13	256,027	1,205
Property, plant and equipment			
Land and buildings		4,053,798	575,351
Plant and equipment		1,974,359	1,902,313
Infrastructure systems		104,755,306	6,051,693
Property, plant and equipment	14	110,783,463	8,529,357
Right of use assets	15	1,604,552	-
Intangible private sector provided infrastructure	16(a)	2,779,746	-
Other intangible assets	16(b)	1,010,854	716,795
Other assets	17	-	1,057,028
<b>Total non-current assets</b>		<b>119,013,449</b>	<b>10,304,385</b>
<b>Total assets</b>		<b>121,689,450</b>	<b>11,535,054</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	20	1,950,310	1,008,558
Contract liabilities	9	222,252	-
Borrowings	21	386,331	105,418
Provisions	22	85,390	14,038
Financial liabilities at fair value		57	-
Other liabilities	23	523,895	385,519
<b>Total current liabilities</b>		<b>3,168,235</b>	<b>1,513,533</b>
<b>Non-current liabilities</b>			
Contract liabilities	9	57,839	-
Borrowings	21	3,552,878	765,321
Provisions	22	31,703	9,000
Other liabilities	23	650,543	45
<b>Total non-current liabilities</b>		<b>4,292,963</b>	<b>774,366</b>
<b>Total liabilities</b>		<b>7,461,198</b>	<b>2,287,899</b>
<b>Net assets</b>		<b>114,228,252</b>	<b>9,247,155</b>
<b>EQUITY</b>			
Accumulated funds		113,685,649	8,394,068
Reserves		542,603	853,087
<b>Total equity</b>		<b>114,228,252</b>	<b>9,247,155</b>

The accompanying Notes form part of these financial statements



**Transport for NSW**  
**Statement of changes in equity**  
for the year ended 30 June 2020

	Notes	Accumulated funds \$'000	Asset revaluation surplus \$'000	Hedge reserve \$'000	Total equity \$'000
<b>Balance at 1 July 2019</b>		<b>8,394,068</b>	<b>853,077</b>	<b>10</b>	<b>9,247,155</b>
<b>Net result for the year</b>		<b>2,826,149</b>	<b>-</b>	<b>-</b>	<b>2,826,149</b>
<b>Other comprehensive income:</b>					
Net gains/(losses) in commodity swaps and foreign exchange		(37)	-	(32)	(69)
Net increase/(decrease) in asset revaluation surplus	14	-	510,894	-	510,894
<b>Total other comprehensive income</b>		<b>(37)</b>	<b>510,894</b>	<b>(32)</b>	<b>510,825</b>
<b>Total comprehensive income for the year</b>		<b>2,826,112</b>	<b>510,894</b>	<b>(32)</b>	<b>3,336,974</b>
<b>Transactions with owners in their capacity as owners</b>					
Transfers to/from reserves to accumulated funds		821,346	(821,346)	-	-
Equity transfers	24(d)	(4,674,702)	-	-	(4,674,702)
Increase/(decrease) in net assets from administrative restructure	24(e)	106,318,825	-	-	106,318,825
<b>Balance at 30 June 2020</b>		<b>113,685,649</b>	<b>542,625</b>	<b>(22)</b>	<b>114,228,252</b>
<b>Balance at 1 July 2018</b>		<b>12,965,716</b>	<b>858,379</b>	<b>300</b>	<b>13,824,395</b>
<b>Net result for the year</b>		<b>618,538</b>	<b>-</b>	<b>-</b>	<b>618,538</b>
<b>Other comprehensive income</b>					
Net gains/(losses) in commodity swaps and foreign exchange		-	-	(290)	(290)
Net increase/(decrease) in asset revaluation surplus	14	-	796	-	796
<b>Total other comprehensive income</b>		<b>-</b>	<b>796</b>	<b>(290)</b>	<b>506</b>
<b>Total comprehensive income for the year</b>		<b>618,538</b>	<b>796</b>	<b>(290)</b>	<b>619,044</b>
<b>Transactions with owners in their capacity as owners</b>					
Transfers to/from reserves to accumulated funds		6,098	(6,098)	-	-
Equity transfers	24(d)	576,004	-	-	576,004
Increase/(decrease) in net assets from administrative restructure	24(e)	(5,772,288)	-	-	(5,772,288)
<b>Balance at 30 June 2019</b>		<b>8,394,068</b>	<b>853,077</b>	<b>10</b>	<b>9,247,155</b>

The accompanying Notes form part of these financial statements

**Transport for NSW**  
**Statement of cash flows**  
for the year ended 30 June 2020

	Notes	Actual 2020 \$'000	Actual 2019 \$'000
<b>Cash flows from operating activities</b>			
<b>Payments</b>			
Personnel service		(1,071,680)	(426,207)
Grants and subsidies		(8,989,654)	(12,819,044)
Finance costs		(117,070)	(84,633)
Bus, ferry and light rail contract payments		(1,524,697)	(1,512,598)
Electronic ticketing systems payments to operators		(1,585,403)	(1,794,115)
Other		(3,505,778)	(2,339,907)
<b>Total payments</b>		<b>(16,794,282)</b>	<b>(18,976,504)</b>
<b>Receipts</b>			
Appropriation		13,985,459	12,167,574
Sale of goods and services		3,404,102	2,601,108
Retained taxes, fees and fines		42,509	-
Interest received		6,252	11,978
Grants and contributions		2,934,923	4,209,472
Electronic ticketing systems cardholder receipts		1,619,004	1,831,338
<b>Total receipts</b>		<b>21,992,249</b>	<b>20,821,470</b>
<b>Net cash flows from operating activities</b>	27	<b>5,197,967</b>	<b>1,844,966</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		18,744	8,270
Purchases of property, plant and equipment and intangible assets		(5,033,894)	(1,760,120)
Proceeds from sale of investments		-	30,000
Other		(2,406)	(1,702)
<b>Net cash flows from investing activities</b>		<b>(5,017,556)</b>	<b>(1,723,552)</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings and advances		(15,429)	(72,196)
Repayment of Sydney Harbour Tunnel finance lease liability		(40,591)	-
Payment of principal portion of lease liabilities		(184,425)	-
<b>Net cash flows from financing activities</b>		<b>(240,445)</b>	<b>(72,196)</b>
<b>Net increase/(decrease) in cash</b>		<b>(60,034)</b>	<b>49,218</b>
Opening cash and cash equivalents		841,657	756,784
Cash and cash equivalents transferred (out)/in as a result of equity transfer	24(d)	(4,809)	-
Cash and cash equivalents transferred (out)/in as a result of administrative restructure	24(e)	866,443	35,655
<b>Closing cash and cash equivalents</b>	7	<b>1,643,257</b>	<b>841,657</b>

The accompanying Notes form part of these financial statements

## **1. Summary of significant accounting policies**

### **(a) Transport for NSW - Reporting entity**

Transport for NSW was established on 1 November 2011 as a not for profit statutory authority (as profit is not its principal objective) and it has no cash generating units. Its roles include planning, procurement, delivery and coordination of transport services and infrastructure in NSW.

The *Transport Administration Act 1988* states that the affairs of Transport for NSW are to be managed and controlled by the Secretary of the Department of Transport. Transport for NSW is therefore a controlled entity of Department of Transport. Consistent with the Secretary's power of direction it is also considered that Transport for NSW has control of the following agencies and special purpose entities or divisions:

- Sydney Ferries
- State Transit Authority
- Rail Corporation New South Wales (until 30 June 2020)
- Sydney Trains
- NSW Trains
- Residual Transport Corporation
- Sydney Metro
- Roads and Maritime Services (until 30 November 2019)

Under *AASB 10 Consolidated Financial Statements*, Transport for NSW is exempted from preparing consolidated financial statements on the basis that the Department of Transport, as the parent entity of Transport for NSW, produces consolidated financial statements. These financial statements are for the Transport for NSW parent entity only.

On 1 July 2020, Rail Corporation New South Wales (RailCorp) was renamed the Transport Asset Holding Entity of New South Wales (TAHE) and converted to a statutory State Owned Corporation pursuant to the Transport Administration Act 1988 and the State Owned Corporations Act 1989. TAHE is not a controlled entity of Transport for NSW. TAHE may eventually hold additional public transport assets for the State, including public transport assets currently held by Transport for NSW. The transfer of assets is intended to occur progressively over a number of years if a decision is made to transfer Transport for NSW public transport assets into TAHE.

The Transport Administration Amendment (RMS Dissolution) Act 2019 dissolved Roads and Maritime Services (RMS) on 1 December 2019. On dissolution, RMS' assets, rights, liabilities and functions were transferred in through an administrative restructure to Transport for NSW to be used, recovered or settled in the normal course of business by Transport for NSW. The financial statements thereby include balances and transactions from the former RMS entity from 1 December 2019.

Transport for NSW is consolidated as part of the NSW Total State Sector Accounts, which is the ultimate parent. The financial statements of Transport for NSW for the year ended 30 June 2020 were authorised for issue by the Secretary on the date the accompanying Statement was signed.

### **(b) Basis of preparation**

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

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations);
- the requirements of the *Public Finance and Audit Act 1983* (the Act) and the *Public Finance and Audit Regulation 2015*; and
- the issued Treasurer's Directions under the *Public Finance and Audit Act 1983*.

## **1. Summary of significant accounting policies (cont'd)**

### **(b) Basis of preparation (cont'd)**

Property, plant and equipment, investment property, assets (or disposal groups) held for sale and certain financial assets and liabilities are measured at fair value. Borrowings are initially measured at the fair value of the consideration received and subsequently using the effective interest method. Other financial report items are prepared in accordance with historical cost convention except where specified otherwise.

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

### **(c) Critical accounting estimates, judgement 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.

The judgements, key assumptions and estimates management has made are disclosed in the relevant notes to the financial statements.

### **(d) Statement of compliance**

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

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

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

- the amount of GST incurred by Transport for NSW as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of an asset's cost of acquisition or as part of an item of expense; and
- 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 Australian Taxation Office are classified as operating cash flows.

### **(f) Foreign currency translation**

Transactions in foreign currencies are recorded using the spot rate at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the end of the reporting date. Differences arising on settlement or translation of monetary items are recognised in net result.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is recognised in other comprehensive income or net result, in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or net results, respectively).

## **1. Summary of significant accounting policies (cont'd)**

### **(g) 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. Comparatives reflect the twelve month prior period for Transport for NSW, while the current period includes transactions and balances from 1 December 2019 relating to the former RMS. As such, certain transactions and balances may not be directly comparable.

To better reflect the nature of revenue, the following items have been reclassified:

- Shared and corporate services revenue reclassified from sale of goods and services, and
- Rental income from investment revenue to sales of goods and services from contracts with customers.

### **(h) Changes in accounting policy, including new or revised Australian Accounting Standards**

#### **(i) Effective for the first time in 2020**

Transport for NSW applied *AASB 15 Revenue from Contracts with Customers*, *AASB 1058 Income of Not-for-Profit Entities*, and *AASB 16 Leases* for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2020, but do not have an impact on the financial statements of Transport for NSW.

#### ***AASB 15 Revenue from Contracts with Customers***

AASB 15 supersedes *AASB 111 Construction Contracts*, *AASB 118 Revenue* and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

AASB 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures.

In accordance with the transition provisions in AASB 15, Transport for NSW has adopted the partial retrospective option with the cumulative effect of initially applying the standard recognised at the date of initial application, i.e. 1 July 2019. Therefore comparatives for the year ended 30 June 2019 have not been restated.

Transport for NSW has used the transitional practical expedient permitted by the standard to reflect the aggregate effect of all of the modifications that occur before 1 July 2018 when:

- identifying the satisfied and unsatisfied performance obligations
- determining the transaction price
- allocating the transaction price to the satisfied and unsatisfied performance obligations.

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**1. Summary of significant accounting policies (cont'd)**

**(h) Changes in accounting policy, including new or revised Australian Accounting Standards (cont'd)**

**(i) Effective for the first time in 2020 (cont'd)**

The effect of adopting AASB 15 is as below:

Impact on Statement of comprehensive income (increase/(decrease))

	Notes	30 June 2020 \$'000 AASB 15	30 June 2020 \$'000 Without adoption of AASB 15	30 June 2020 \$'000 Impact of AASB 15
<b>AASB 15 adoption impact</b>				
<b>Revenue</b>				
Sale of goods and services	3(b)	-	95,896	(95,896)
<b>Expenses</b>				
Other expenses	2(g)	1,527,774	1,623,670	(95,896)
<b>Operating result</b>		<b>(1,527,774)</b>	<b>(1,527,774)</b>	-
<b>Net result</b>		<b>(1,527,774)</b>	<b>(1,527,774)</b>	-

Impact on Statement of financial position (increase/(decrease)):

	Notes	30 June 2020 \$'000 AASB 15	30 June 2020 \$'000 Without adoption of AASB 15	30 June 2020 \$'000 Impact of AASB 15
<b>AASB 15 adoption impact</b>				
<b>Liabilities</b>				
Contract liabilities	9	280,091	-	280,091
Other liabilities	23	1,174,438	1,454,529	(280,091)
<b>Total adjustment to equity</b>		<b>1,454,529</b>	<b>1,454,529</b>	-

The adjustments on the Statement of comprehensive income relate to the recognition of passenger service revenue, where Transport for NSW has been identified as acting as an agent for the purpose of collecting the passenger service revenue. Revenue from passenger services is now not recognised by the entity, instead it is applied to offset the contract payment expenses recognised by the entity.

**AASB 1058 Income of Not-for-Profit Entities**

AASB 1058 replaces most of the existing requirements in AASB 1004 *Contributions*. The scope of AASB 1004 is now limited mainly to contributions by owners (including parliamentary appropriations that satisfy the definition of a contribution by owners), administrative arrangements and liabilities of government departments assumed by other entities.

AASB 1058 applies to income with a donation component, i.e. transactions where the consideration to acquire an asset is significantly less than fair value principally to enable a not-for-profit entity to further its objectives; and volunteer services. AASB 1058 adopts a residual approach, meaning that entities first apply other applicable Australian Accounting Standards (e.g. AASB 1004, AASB 15, AASB 16, AASB 9, and AASB 137) to a transaction before recognising income.

## **1. Summary of significant accounting policies (cont'd)**

### **(h) Changes in accounting policy, including new or revised Australian Accounting Standards (cont'd)**

#### **(i) Effective for the first time in 2020 (cont'd)**

Not-for-profit entities need to determine whether a transaction is/contains a donation (accounted for under AASB 1058) or a contract with a customer (accounted for under AASB 15).

AASB 1058 requires recognition of receipt of an asset, after the recognition of any related amounts in accordance with other Australian Accounting Standards, as income:

- when the obligations under the transfer is satisfied, for transfers to enable an entity to acquire or construct a recognisable non-financial asset that will be controlled by Transport for NSW.
- immediately, for all other income within the scope of AASB 1058.

In accordance with the transition provisions in AASB 1058, Transport for NSW has adopted the modified retrospective option, with the cumulative effect of initially applying the standard at the date of initial application, i.e. 1 July 2019, and the comparatives for the year ended 30 June 2019 are not restated. Transport for NSW has adopted the practical expedient in AASB 1058 whereby existing assets acquired for consideration significantly less than fair value principally to enable Transport for NSW to further its objectives, are not restated to their fair value.

The effect of adopting AASB 1058 is not material to Transport for NSW. No specific performance obligations were identified for revenue subject to AASB 1058.

### **AASB 16 Leases**

AASB 16 supersedes AASB 117 *Leases*, Interpretation 4 *Determining whether an Arrangement contains a Lease*, Interpretation 115 *Operating Leases – Incentives* and Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the statement of financial position.

#### *Lessor accounting*

Lessor accounting under AASB 16 is substantially unchanged from AASB 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in AASB 117. Therefore, AASB 16 does not have a significant impact for leases where Transport for NSW is the lessor.

#### *Lessee accounting*

AASB 16 requires Transport for NSW to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under AASB 117. As the lessee, Transport for NSW recognises a lease liability and right of use asset at the inception of the lease. The lease liability is measured at the present value of the future lease payments, discounted using the interest rate implicit in the lease, or the lessee's incremental borrowing rate if the interest rate implicit in the lease cannot be readily determined. The corresponding right of use asset is measured at the value of the lease liability adjusted for lease payments before inception, lease incentives, initial direct costs and estimates of costs for dismantling and removing the asset or restoring the site on which it is located.

Transport for NSW has adopted the partial retrospective option in AASB 16, where the cumulative effect of initially applying AASB 16 is recognised on 1 July 2019 and the comparatives for the year ended 30 June 2019 are not restated.

In relation to leases that had previously been classified as 'operating leases' under AASB 117, a lease liability is recognised at 1 July 2019 at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 1.42% for leases up to five years, 2.00% for leases between 5 and 10 years, and 2.42% for leases greater than 10 years.

The corresponding right of use asset is initially recorded on transition at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position

## 1. Summary of significant accounting policies (cont'd)

### (h) Changes in accounting policy, including new or revised Australian Accounting Standards (cont'd)

#### (i) Effective for the first time in 2020 (cont'd)

as at 30 June 2019. The exception is right of use assets that are subject to accelerated depreciation. These assets are measured at their fair value at 1 July 2019.

For leases previously classified as finance leases Transport for NSW recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of AASB 16 are only applied after that date.

Transport for NSW elected to use the practical expedient to expense lease payments for lease contracts that, at their commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is valued at \$10,000 or under when new (low-value assets).

In applying AASB 16 for the first time, Transport for NSW has used the following practical expedients permitted by the standard:

- not re-assess whether a contract is, or contains, a lease at 1 July 2019, for those contracts previously assessed under AASB 117 and Interpretation 4.
- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on its previous assessment on whether leases are onerous immediately before the date of initial application as an alternative to performing an impairment review
- not recognise a lease liability and right of use-asset for short-term leases that end within 12 months of the date of initial application
- excluding the initial direct costs from the measurement of the right of use asset at the date of initial application
- using hindsight in determining the lease term where the contract contained options to extend or terminate the lease

The effect of adopting AASB 16 as at 1 July 2019 (increase/(decrease)) is, as follows:

<b>AASB 16 adoption impact</b>	<b>\$'000</b>
<b>Assets</b>	
Right of use asset	927,683
Property, plant and equipment	(700,845)
Receivables	(9,743)
<b>Total assets</b>	<b>217,095</b>
<b>Liabilities</b>	
Borrowings	217,095
<b>Total liabilities</b>	<b>217,095</b>
<b>Equity</b>	
Accumulated funds	-
<b>Total equity</b>	<b>-</b>



## 1. Summary of significant accounting policies (cont'd)

### (h) Changes in accounting policy, including new or revised Australian Accounting Standards (cont'd)

#### (i) Effective for the first time in 2020 (cont'd)

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of 30 June 2019, as follows:

<b>AASB 16 adoption impact</b>	<b>\$'000</b>
<b>Lease liabilities</b>	
Operating lease commitments as at 30 June 2019 (GST included)	307,342
(Less): GST included in operating lease commitments	(27,940)
<b>Operating lease commitments as at 30 June 2019 (GST excluded)</b>	<b>279,402</b>
Weighted average incremental borrowing rate as at 1 July 2019	1.63%
<b>Discounted operating lease commitments as at 1 July 2019</b>	<b>274,848</b>
Add: commitments relating to leases previously classified as finance leases (GST excluded) <sup>2</sup>	870,739
(Less): commitments relating to leases transferred to other agencies as at 1 July 2019	(37,300)
(Less): commitments relating to leases out of scope of AASB 16 <sup>1</sup>	(39,114)
(Less): commitments relating to short-term leases	(6,577)
(Less): commitments relating to leases of low-value assets	-
Add: contracts re-assessed as lease contracts not previously included as an operating lease commitment	1,361
Add: adjustments made to operating lease commitments for the exercise of options, changes future indexation of leases and discounting for the incremental borrowing rate	23,877
<b>Lease liabilities as at 1 July 2019</b>	<b>1,087,834</b>

The weighted average incremental borrowing rate applied on the lease portfolio as at 1 July 2019 was 1.63%

<sup>1</sup> These leases relate to lease liabilities as at 1 July 2019 that were previously recognised as finance leases. AASB 16 did not affect the valuation of these leases as at 1 July 2019.

<sup>2</sup> As Transport for NSW has not adopted AASB 16 on service concession assets that will be recognised under AASB 1059 *Service Concession Arrangements: Grantors* the lease liability balance as at 1 July 2019 will not agree to total leases per Note 21 Borrowings.

## **1. Summary of significant accounting policies (cont'd)**

### **(h) Changes in accounting policy, including new or revised Australian Accounting Standards (cont'd)**

#### **(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. The possible impact of these Standards in the period of initial application includes:

#### **AASB 1059 Service Concession Arrangements: Grantors**

- AASB 1059 *Service Concession Arrangements: Grantors* (AASB 1059) is effective from reporting periods commencing on or after 1 January 2020.
- AASB 1059 addresses the accounting for a service concession arrangement by a grantor that is a public sector entity by prescribing the accounting for the arrangement from the grantor's perspective.
- It applies to arrangements that involve an operator providing public services related to a service concession asset on behalf of a public sector grantor for a specified period of time and managing at least some of those services. An arrangement within the scope of this Standard typically involves an operator constructing the assets used to provide the public service or upgrading the assets (for example, by increasing their capacity) and operating and maintaining the assets for a specified period of time. Such arrangements are often described as build-operate-transfer or rehabilitate-operate-transfer service concession arrangements or public-private partnerships (PPPs).
- The Standard requires the grantor to:
  - a) recognise a service concession asset constructed, developed or acquired from a third party by the operator;
  - b) reclassify an existing asset as a service concession asset when it meets the criteria for recognition as a service concession asset;
  - c) initially measure a service concession asset constructed, developed or acquired by the operator or reclassified by the grantor at current replacement cost in accordance with the cost approach to fair value in AASB 13 and subsequently measure it in accordance with AASB 116 or AASB 138; and
  - d) recognise a corresponding liability measured initially at the fair value (current replacement cost) of the service concession asset, adjusted for any other consideration between the grantor and the operator.
- Currently, under TPP 06-8 *Accounting for Privately Financed Projects* Transport for NSW records, for its service concession arrangements for which it does not control demand risk, an increase in emerging asset and revenue until the end of the concession period at which point the assets revert back to Transport for NSW. For availability privately financed projects, Transport for NSW recognises assets and corresponding financial liabilities.
- From 1 July 2020 Transport for NSW is required to record the value of the assets at current replacement cost during the period of construction and over the concession term along with a corresponding liability to the operator. Depreciation for the assets will also be recognised in Transport for NSW's Statement of comprehensive income.
- The value of the impact to Transport for NSW's financial statements for the year ending 30 June 2021 is estimated as follows. The impact represents management's preliminary estimate. It is possible that the amount recognised in the statement of financial position as at 1 July 2020 and the statement of comprehensive income for the period ended 30 June 2021 will differ from this estimate, as a result of further review of underlying data and contractual arrangements.
  - Toll road assets, previously recognised as 'emerging interests in intangible private sector provided infrastructure (PSPI)' in accordance with TPP 06-8 *Accounting for Privately Financed Projects*, will be in scope of AASB 1059 from 1 July 2020. As a result of the application of AASB 1059, total assets could increase by \$16.5 billion, total liabilities by \$14.8 billion and the difference of \$1.7 billion will be recognised in accumulated funds. Further the net result for the year ending 30 June 2021 is expected to decrease by \$0.6 billion.
  - Light rail assets relating to the Sydney Light Rail and the Inner West Light Rail are also in scope under service concession arrangements from 1 July 2020. As a result of the application of AASB 1059, assets of \$2.7 billion and liabilities of \$1.9 billion will be recognised, however the recognition of the assets and the liabilities will have no consequential impacts on the net result for the year ending 30 June 2021 as the underlying assets and liabilities are already carried at full value by the entity.

## 1. Summary of significant accounting policies (cont'd)

### (h) Changes in accounting policy, including new or revised Australian Accounting Standards (cont'd)

**Other standards whose impact on initial application is not expected to be significant**

The impact of the following standards and amendments in the period of initial application is not expected to be significant:

<b>Standard</b>	<b>Applicable to annual reporting periods beginning on or after</b>
AASB 2018-7 <i>Amendments to Australian Accounting Standards – Definition of Material</i>	1 January 2020
AASB 2019-3 <i>Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform</i>	1 January 2020
AASB 2020-1 <i>Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current</i>	1 January 2022

A number of other new standards or amendments to standards have been identified and assessed and it is expected that they will have no material impact on the financial statements of Transport for NSW.

### (i) Changes in accounting estimates

Useful lives were revised in the 2020 comprehensive revaluation of maritime infrastructure assets to better reflect the assets' effective lives. In some cases, the remaining useful lives were extended for some asset components. The external valuer engaged for the revaluation considered obsolescence in the valuation approach and has further componentised assets where possible, and applied separate useful lives.

The change in the useful life assumptions is recognised as change in estimates and recognised prospectively in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Transport for NSW estimates the revision in useful lives has resulted in a decrease in depreciation expense of approximately \$5.4 million for the year ended 30 June 2020 and a decrease in expected depreciation in 2020-21 by approximately \$21.8 million.

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**2. Expenses excluding losses**

**(a) Personnel service expenses**

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Salaries and wages (including recreation leave)	642,467	373,260
Superannuation - defined benefit plans	7,493	3,889
Superannuation - defined contribution plans	55,272	32,045
Long service leave	34,207	29,141
Workers' compensation insurance	4,419	1,144
Payroll tax and fringe benefits tax	41,809	25,071
Redundancy payments	13,274	16,274
Other employee expenses	1,144	355
<b>Personnel service expenses</b>	<b>800,085</b>	<b>481,179</b>
Capitalised personnel service expenses	274,561	90,509
Major rail project expenses	114,994	98,891
<b>Aggregate personnel service expenses</b>	<b>1,189,640</b>	<b>670,579</b>

Included in the above are personnel service expenses of \$93.8 million (2019: \$3.1 million) related to maintenance.

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**2. Expenses excluding losses (cont'd)**

**(b) Other operating expenses**

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Auditor's remuneration - audit of the financial statements	1,233	557
Advertising and marketing	31,023	39,084
M5 Cashback refund	61,100	-
Telecommunications	40,579	28,588
Consultants and other contractors	552,016	262,125
Shared service charges	113,152	-
Electricity, gas and water	11,841	5,100
Fleet hire and leasing charges including contingent rents and rail access fees	38,394	-
General expenses	97,841	54,217
Information technology	205,207	191,444
Insurance	11,444	1,219
Operating lease rental expense – minimum lease repayments	-	74,292
Property rent and other related expenses	40,752	-
Legal services	9,969	2,998
External maintenance costs	35,948	103,020
Materials	27,957	-
Office expenses	35,787	12,683
Payments to councils and external bodies	9,298	-
Security costs	4,710	812
Special number plates concession fees	16,094	-
Sydney Harbour Tunnel operating fees	18,608	-
Taxes, rates and related charges	1,934	-
Travel expenses	8,017	3,914
<b>Other operating expenses</b>	<b>1,372,904</b>	<b>780,053</b>

**Reconciliation of total maintenance**

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Operational maintenance in Note 2(b)	35,948	103,020
Consultants and other contractors	175,900	-
Corporate services, information technology and telecommunication expenses	21,097	-
Operating lease rental expenses	30,167	-
Payments to councils and external bodies for state road works	575	-
Other	2,898	-
<b>Maintenance expense in other operating expenses</b>	<b>266,585</b>	<b>103,020</b>
Depreciation - right of use assets	6,318	-
Maintenance related to personnel service expenses in Note 2(a)	93,775	3,083
<b>Total maintenance expenses including personnel service related</b>	<b>366,678</b>	<b>106,103</b>
Maintenance grants to councils for local road works in Note 2(e)	203,134	-
Capitalised maintenance	264,732	-
<b>Total maintenance program</b>	<b>834,544</b>	<b>106,103</b>

Day-to-day servicing costs or maintenance are charged as expenses when incurred, except where they relate to the replacement of a part or a component of an asset, in which case the costs are capitalised and depreciated. Transport for NSW capitalised \$264.7 million for such works during the year.

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**2. Expenses excluding losses (cont'd)**

**(c) Major rail project expenses**

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Personnel service expenses	114,994	98,891
Consultants and other contractors	1,053,892	1,369,769
Property acquisition	624	19,669
Insurance	942	449
Legal services	619	10,170
Rent and other related expenses	6,584	11,094
Information technology and telecommunication expenses	8,097	11,714
Other	6,237	6,640
<b>Major rail project expenses</b>	<b>1,191,989</b>	<b>1,528,396</b>

Gross amount due from/(to) RailCorp and billing to date are as follows:

Cost incurred	(1,191,989)	(1,528,396)
Billing to date	1,191,989	1,528,396
<b>Gross amount due from RailCorp</b>	<b>-</b>	<b>-</b>

**(d) Depreciation and amortisation**

	<b>Notes</b>	<b>2020</b>	<b>2019</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Property, plant and equipment:</b>			
Depreciation of infrastructure systems	14	888,254	186,437
Depreciation of buildings	14	28,220	19,508
Depreciation of plant and equipment	14	233,178	285,410
<b>Total depreciation of property, plant and equipment</b>		<b>1,149,652</b>	<b>491,355</b>
<b>Right of use assets:</b>			
Depreciation of land and buildings		47,706	-
Depreciation of plant and equipment		109,850	-
<b>Total depreciation of right of use assets</b>		<b>157,556</b>	<b>-</b>
<b>Intangible assets:</b>			
Amortisation of intangible assets	16(b)	162,104	113,954
<b>Total amortisation</b>		<b>162,104</b>	<b>113,954</b>
<b>Depreciation and amortisation</b>		<b>1,469,312</b>	<b>605,309</b>
<b>Right of use assets: Reconciliation to Note 15</b>			
Depreciation of land and buildings		47,706	-
Right of use depreciation capitalised		8,028	-
<b>Total depreciation for land and buildings</b>	15	<b>55,734</b>	<b>-</b>
Depreciation of plant and equipment		109,850	-
Right of use depreciation capitalised		6,945	-
<b>Total depreciation for plant and equipment</b>	15	<b>116,795</b>	<b>-</b>

Please refer to Note 14, 15 and 16 for recognition and measurement policies on depreciation and amortisation.

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**2. Expenses excluding losses (cont'd)**

**(e) Grants and subsidies**

	Notes	2020 \$'000	2019 \$'000
Community transport groups		88,837	88,555
Taxi Transport Subsidy Scheme		40,685	42,159
Private Vehicle Conveyance		13,347	20,600
Carparks and interchanges		11,274	7,745
Grants to local councils		354,900	1,322
Grants to local councils & other parties - transfer of infrastructure assets	14	556,533	9,171
National transport regulators		9,366	6,893
Road safety grant to NSW Police and local councils		27,785	36,328
Others		52,769	120,996
Other transport operators		10,950	30,600
Rail services and capital works		2,411,998	2,129,809
Former Roads and Maritime Services & capital works		3,323,503	7,739,448
Point to point assistance package <sup>1</sup>		12,560	23,659
Sydney Metro services and capital works		2,646,899	2,690,580
Ferry services and capital works		-	3,984
<b>Grants and subsidies</b>		<b>9,561,406</b>	<b>12,951,849</b>

<sup>1</sup> Point to Point assistance was provided to taxi licence holders in 2017 following the NSW Government's reforms to the taxi and hire car industries. The Transitional Assistance Payment Scheme was re-opened from July to October 2018 and had three streams, including the Additional Assistance Payment Scheme which allowed successful applicants the option to elect to be paid in three equal instalments over three financial years. Final payments under this scheme will be made in July 2021.

**(f) Finance costs**

	2020 \$'000	2019 \$'000
Interest expense from finance leases	-	55,730
Interest expense from lease liabilities	69,832	-
Other finance costs	37,690	6,142
Interest expense on TCorp borrowings	-	22,761
<b>Finance costs</b>	<b>107,522</b>	<b>84,633</b>

**(g) Other expenses**

	2020 \$'000	2019 \$'000
Bus contract payments - metropolitan and outer metro bus operators	944,024	964,397
Major events - bus and rail services	3,076	8,493
Bus contract payments - rural and regional bus operators	412,080	410,824
Ferry contract payments	106,497	87,636
Light rail contract payments	55,581	43,124
Nightride bus services	6,516	6,617
<b>Other expenses</b>	<b>1,527,774</b>	<b>1,521,091</b>

Other expenses include payments to bus, ferry and light rail operators for the provision of bus, ferry and light rail services in the metropolitan, regional and rural areas of New South Wales. As a result of the application of AASB 15 *Revenue from Contracts with Customers*, Transport for NSW has been identified as acting as an agent for the purpose of collecting passenger service revenue. Revenue from passenger services is now not recognised by the entity, instead it is applied to offset the contract payment expenses.

## **2. Expenses excluding losses (cont'd)**

### **Recognition and measurement**

#### **(i) Personnel service expenses**

Transport for NSW does not directly employ staff. Personnel services are provided by Transport Service of New South Wales and the Department of Transport and include salaries, wages, leave entitlements, superannuation, workers' compensation insurance premium, payroll tax, fringe benefits tax and redundancies.

Some personnel service expenses are capitalised to the construction costs of property, plant and equipment and intangible assets.

#### **(ii) Other operating expenses**

Other operating expenses generally represent the day-to-day running costs incurred in the normal operations of Transport for NSW.

#### **(iii) Insurance**

Transport for NSW arranges insurance cover through the NSW Treasury Managed Fund Scheme of self-insurance for Government entities. The cost of insurance is expensed in the period to which the insurance cover relates.

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

#### **(iv) Lease expense (up to 30 June 2019)**

##### ***Operating leases***

Up to 30 June 2019, operating lease payments are recognised as an operating expense in the Statement of comprehensive income on a straight-line basis over the lease term. An operating lease is a lease other than a finance lease.

#### **(v) Lease expense (from 1 July 2019)**

From 1 July 2019, the Entity recognises the lease payments associated with the following types leases as an expense on a straight-line basis:

- Leases that meet the definition of short-term. i.e. where the lease term at commencement of the lease is 12 months or less. This excludes leases with a purchase option.
- Leases of assets that are valued at \$10,000 or under when new.

Variable lease payments not included in the measurement of the lease liability (i.e. variable lease payments that do not depend on an index or a rate, initially measured using the index or rate as at the commencement date). These payments are recognised in the period in which the event or condition that triggers those payments occurs.

#### **(vi) Shared service charges**

Shared service charges represent services provided by Service NSW to Transport for NSW. The charges are recognised as incurred.



## **2. Expenses excluding losses (cont'd)**

### **Recognition and measurement (cont'd)**

#### **(vii) Maintenance expense**

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

#### **(viii) Major rail project expenses**

Transport for NSW manages the design and construction of major rail projects on behalf of RailCorp. Since 1 July 2015, RailCorp receives a direct equity injection from the Crown Entity to fund its contract activities with Transport for NSW. Under this funding arrangement, RailCorp reimburses Transport for NSW for construction costs incurred on a monthly basis. Contract costs relating to satisfied or partly satisfied performance obligations are recognised as expenses when incurred.

#### **(ix) Grants and subsidies**

Grants and subsidies generally comprise contributions in cash or in kind to transport services providers and 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) Finance costs**

Finance costs comprise mainly interest on borrowings and interest charges from leases. In accordance with Treasury's mandate for the not-for-profit general government sector agencies, finance costs are expensed and recognised in the Statement of comprehensive income in the period in which they are incurred.

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**3. Revenue**

**(a) Appropriation**

	<b>2020</b>		<b>2019</b>	
	<b>\$'000</b>		<b>\$'000</b>	
	<b>Appropriation</b>	<b>Expenditure</b>	<b>Appropriation</b>	<b>Expenditure</b>
Appropriations Act	14,143,868	13,985,459	11,317,874	12,167,574
Additional/(reduced) Appropriations	(203,318)	-	-	-
Section 4.13 GSF Act 2018 - exigencies of Government	128,810	-	-	-
Section 4.11 GSF Act 2018 - variations for annual appropriation for Commonwealth grants	29,018	-	-	-
Payment variation under the Appropriation Act - transfers to/from agency	495,175	-	-	-
Supplementations (Appropriation Act S26 & 27)	-	-	967,048	-
<b>Total appropriations / expenditure / net claim on Consolidated Fund (includes transfer payments)</b>	<b>14,593,553</b>	<b>13,985,459</b>	<b>12,284,922</b>	<b>12,167,574</b>
<b>Appropriation drawn down</b>		13,985,459		12,167,574
<b>Liability to Consolidated Fund</b>		-		-
Appropriation (per Statement of comprehensive income)		<b>13,985,459</b>		<b>12,167,574</b>
Comprising:				
Recurrent appropriations		9,820,937		11,140,913
Capital appropriations		4,164,522		1,026,661
		<b>13,985,459</b>		<b>12,167,574</b>

The above note is based on the assumption that Consolidated Fund monies are spent first (except where otherwise identified or prescribed). The liability to Consolidated Fund represents the difference between the 'amount drawn down against appropriations' and the 'expenditure / net claim on Consolidated Fund'

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**3. Revenue (cont'd)**

**(b) Sale of goods and services from contracts with customers/Sale of goods and services**

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Passenger service revenue	-	109,249
Toll and tag revenue	73,407	-
Number plates	90,690	-
Publications	3,826	-
Advertising	8,359	-
Boat licenses	15,335	-
Boat registrations	15,527	-
Channel fees	5,953	-
Moorings	6,375	-
Fees for services rendered	68,234	16,660
Access fees	300	9,072
Other	38,160	20,131
Major events revenue	2,762	5,845
Training	1,053	5,034
Recoupment of project costs	64,858	122,613
Heavy vehicle permit fees	2,968	-
Rental income	39,803	16,999
<b>Sale of goods and services</b>	<b>437,610</b>	<b>305,603</b>

As a result of the application of AASB 15 *Revenue from Contracts with Customers*, Transport for NSW has been identified as acting as an agent for the purpose of collecting passenger service revenue. Revenue from passenger services is now not recognised by the entity, instead it is applied to offset the contract payment expenses disclosed under Note 2(g).

Additionally, Rental income has been reclassified from investment revenue in the current period to better reflect the nature of the revenue.

**(c) Investment revenue**

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Amortisation of zero interest Sydney Harbour Tunnel loan	7,027	-
M2 and Eastern Distributor promissory notes	943	-
Net gain/(loss) from financial assets not at fair value through profit or loss	5,768	7,095
Net gain/(loss) from Tcorp IM Funds measured at fair value through profit or loss	(4,206)	-
<b>Investment revenue</b>	<b>9,532</b>	<b>7,095</b>

**(d) Shared and corporate services revenue**

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Shared and corporate services revenue	294,412	413,672
<b>Shared and corporate services revenue</b>	<b>294,412</b>	<b>413,672</b>

\$261.4 million was reclassified from recoupment of project costs within sale of goods and services to shared and corporate services revenue in the comparative to better reflect the nature of this revenue.

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**3. Revenue (cont'd)**

**(e) Grants and contributions**

	2020 \$'000	2019 \$'000
Department of Community and Justice <sup>1</sup>	75,948	73,418
NSW government agencies - others (non-transport)	105,491	-
Private firms and individuals	3,308	5,552
Grants from other transport agencies	2,937	4,570
Crown Entity <sup>2</sup>	2,935,367	4,059,081
Local government	6,541	-
Other State and Territory government agencies	2,100	3,252
<b>Grants and contributions</b>	<b>3,131,692</b>	<b>4,145,873</b>

<sup>1</sup> Transport for NSW received grants of \$75.9 million (2019: \$73.4 million) from the Department of Community and Justice for the Commonwealth Home Support Program.

<sup>2</sup> Transport for NSW received grants from the Crown Entity of \$32.8 million (2019: \$42.0 million) to fund redundancies in the Transport cluster, \$1,093.4 million (2019: \$1,681.2 million) for capital works, \$1,438.6 million (2019: \$1,927.2 million) for Sydney Metro, \$288.7 million (2019: \$253.3 million) for Parramatta Light Rail project, nil (2019: \$84.3 million) Northern Beaches B-Line, and \$81.9 million (2019: \$71.0 million) for other projects.

**(f) Retained taxes, fees and fines**

	2020 \$'000	2019 \$'000
National Heavy Vehicle Regulator charges	34,552	-
Sanction fees payable under the Fines Act	7,957	-
<b>Retained taxes, fees and fines</b>	<b>42,509</b>	<b>-</b>

**(g) Major rail project revenue**

	Notes	2020 \$'000	2019 \$'000
Major rail project revenue	2(c)	1,191,988	1,528,396
<b>Major rail project revenue</b>		<b>1,191,988</b>	<b>1,528,396</b>

**(h) Resources received free of charge**

	2020 \$'000	2019 \$'000
Personnel service - superannuation - defined benefit	7,489	4,000
Personnel service - long service leave	36,424	30,856
Personnel service - payroll tax	383	206
<b>Resources received free of charge</b>	<b>44,296</b>	<b>35,062</b>

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**3. Revenue (cont'd)**

**(i) Other revenue**

	Notes	2020 \$'000	2019 \$'000
Value of emerging interests of intangible Private Sector Provided Infrastructure (PSPI)			
- M2 Motorway/M2 Widening	16(a)	22,930	-
- M4/M4 Widening	16(a)	4,348	-
- M4/New M4	16(a)	95,041	-
- M5 South-West Motorway	16(a)	32,886	-
- Eastern Distributor	16(a)	14,751	-
- Cross City Tunnel	16(a)	20,011	-
- Westlink M7 Motorway	16(a)	43,399	-
- Lane Cove Tunnel	16(a)	26,697	-
Amortisation of deferred revenue on PSPI projects		12,599	-
Principal arranged insurance refund		3,568	-
Recognition of property, plant and equipment	14	87,795	-
Other		6,071	-
<b>Other revenue</b>		<b>370,096</b>	<b>-</b>

**Recognition and measurement**

Until 30 June 2019, income is recognised in accordance with AASB 111 *Construction Contracts*, AASB 118 *Revenue* and AASB 1004 *Contributions*.

From 1 July 2019, income is recognised in accordance with the requirements of AASB 15 *Revenue from Contracts with Customers* or AASB 1058 *Income of Not-for-Profit Entities*, dependent on whether there is a contract with a customer defined by AASB 15 *Revenue from Contracts with Customers*. Comments regarding the accounting policies for the recognition of income are discussed below.

Income is recognised and measured at the fair value of the consideration or contribution received or receivable to the extent that it is probable that the economic benefit will flow to Transport for NSW and the income can be reliably measured.

Comments regarding the accounting policies for the recognition of income are discussed below.

**(i) Parliamentary appropriations and contributions**

Transport for NSW receives its funding under appropriations from the Consolidated Fund. Appropriations for each financial year are set out in the Appropriation Act for that year. Due to COVID-19, the State Budget and related 2020-21 Appropriation Bill has been delayed and is anticipated to be tabled in Parliament in November/December 2020. However, pursuant to section 4.10 of the GSF Act, the Treasurer has authorised Ministers to spend specified amounts from Consolidated Fund. This authorisation is current from 1 July 2020 until the earlier of 31 December 2020 (or another day prescribed by the regulations) or enactment of the 2020-21 annual Appropriations Act.

Parliamentary appropriations and contributions from other bodies (including grants and contributions) are generally recognised as income when Transport for NSW obtains control over the assets comprising the appropriations/contributions. Control over appropriations/contributions is normally obtained upon the receipt of cash. At year end unspent appropriations are recognised as liabilities rather than income, as the authority to spend the money lapses and the unspent amount must be repaid to the Consolidated Fund. Any liability is disclosed in Note 23 as part of "Other liabilities". The amount will be repaid and the liability will be extinguished in the next financial year. Please refer to Summary of compliance with financial directives.

After AASB 15 and AASB 1058 became effective on 1 July 2019, the treatment of appropriations remains the same, because appropriations do not contain an enforceable sufficiently specific performance obligation as defined by AASB 15.

### **3. Revenue (cont'd)**

#### **(ii) Sale of goods**

##### **Up to 30 June 2019**

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

##### **From 1 July 2019**

Revenue from sale of goods is recognised as when Transport for NSW satisfies a performance obligation by transferring the promised goods. Transport for NSW typically satisfies its performance obligations when control of the goods is transferred to the customers. The payments are typically due when performance obligations have been satisfied.

Revenue from these sales is recognised based on the price specified in the contract, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as the sales are made with a short credit term. No volume discount or warranty is provided on the sale.

Rental income arising from operating leases is accounted for on a straight-line basis over the lease term.

#### **(iii) Rendering of services**

##### **Up to 30 June 2019**

Revenue from the provision of services (including passenger transport services) is recognised as revenue when the service is provided or by reference to the stage of completion.

##### **From 1 July 2019**

Revenue from rendering of services is recognised when Transport for NSW satisfies the performance obligation by transferring the promised services. Transport for NSW typically satisfies its performance obligations when the service is provided or over the term of the service period. The payments are typically due after performance obligations have been satisfied.

The revenue is measured at the transaction price agreed under the contract. No element of financing is deemed present as payments are due when service is provided.

#### **(iv) Investment revenue**

Interest revenue is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For financial assets that become credit impaired, the effective interest rate is applied to the amortised cost of the financial asset (i.e. after deducting the loss allowance for expected credit losses).

#### **(v) Shared and corporate services revenue**

Shared and corporate services revenue represents revenue for the provision of shared and other corporate services to various transport operating entities and is recognised when Transport for NSW satisfies the performance obligation by transferring the promised services. Transport for NSW typically satisfies its performance obligations when the service is provided or over the term of the service period. The payments are typically due after performance obligations have been satisfied.

The revenue is measured at the transaction price agreed under the contract. No element of financing is deemed present as payments are due when service is provided.

### **3. Revenue (cont'd)**

#### **(vi) Grants and contributions**

##### **Until 30 June 2019**

Income from grants (other than contribution by owners) is recognised when Transport for NSW obtains control over the contribution. The entity is deemed to have assumed control when the grant is received or receivable.

Contributions are recognised at their fair value. Contributions of services are recognised when and only when a fair value of those services can be reliably determined and the services would be purchased if not donated.

##### **From 1 July 2019**

Income from grants to acquire/construct a recognisable non-financial asset to be controlled by Transport for NSW is recognised when obligations under the transfer are satisfied. Transport for NSW satisfies the performance obligations under the transfer to construct assets over time as the non-financial assets are being constructed. The percentage of cost incurred is used to recognise income, because this most closely reflects the progress to completion.

Refer Note 9 for transaction price allocated to the performance obligations that have not been satisfied at the end of the year and when it is expected to be recognised as revenue.

Income from grants without sufficiently specific performance obligations is recognised when Transport for NSW obtains control over the granted assets (e.g. cash).

Receipt of volunteer services is recognised when the fair value of those services can be reliably determined and the services would have been purchased if not donated. No volunteer services have recognised because the services would not have been purchased if not donated.

#### **(vii) Retained taxes, fees and fines**

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

#### **(viii) Major rail project revenue**

Major rail project revenue is recognised in the Statement of comprehensive income in proportion to the stage of completion of these RailCorp funded construction activities at the reporting date. The value of work performed is measured at the value of the progressive costs incurred during the reporting period for each project. Major rail project expense is recognised in the Statement of comprehensive income as incurred. Amounts due from RailCorp for these rail projects are disclosed as an asset, and the amounts due to RailCorp are disclosed as a liability.

#### **(ix) Resources received free of charge**

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

#### **(x) Other revenue**

##### **Emerging interests in intangible 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.

### 3. Revenue (cont'd)

#### (x) Other revenue (cont'd)

#### 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.

### 4. Gain/(loss) on disposal

	Notes	2020 \$'000	2019 \$'000
Proceeds from asset sales		835	8,270
Net carrying amount of property, plant and equipment disposed	14	(7,867)	(9,977)
Net carrying amount of intangibles disposed	16(b)	(100)	(353)
Net carrying amount of right of use assets under lease disposed	15	(7,946)	-
Gain/(loss) on disposal of non-current assets held for sale		2,563	-
<b>Gain/(loss) on disposal</b>		<b>(12,515)</b>	<b>(2,060)</b>

### 5. Other gains/(losses)

	Notes	2020 \$'000	2019 \$'000
Carrying amount of property, plant and equipment written off	14	(53,437)	-
Net revaluation increment/(decrement) recognised in net result	14, 15	(156,476)	-
Impairment losses on property, plant & equipment	14	(353,518)	-
Impairment losses on right of use assets	15	(71,557)	-
Foreign exchange gains/(losses)		(85)	(82)
Derivative gains/(losses)		(37)	-
Realised gains/(losses) on T-Corp borrowings		-	(30,786)
<b>Other gains/(losses)</b>		<b>(635,110)</b>	<b>(30,868)</b>

#### Recognition and measurement

Gains and losses include gains and losses on disposals and fair value adjustments to physical and financial assets, and financial liabilities. 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.

In regards to infrastructure assets written off, in cases where Transport for NSW 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 14.



**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**6. Program groups of Transport for NSW**

	Successful places for communities		Connecting our customers' whole lives		Transport systems and solutions		Not attributable		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Expenses excluding losses</b>										
Operating expenses										
Personnel service expenses	27,920	3,849	611,786	433,543	160,379	43,787	-	-	800,085	481,179
Other operating expenses	49,516	6,240	1,122,489	702,828	200,899	70,985	-	-	1,372,904	780,053
Major rail project expense	-	-	-	-	1,191,989	1,528,396	-	-	1,191,989	1,528,396
Depreciation and amortisation	163,158	87,288	662,288	508,864	643,866	9,157	-	-	1,469,312	605,309
Grants and subsidies	150,088	146,041	6,283,313	9,983,904	3,128,005	2,821,904	-	-	9,561,406	12,951,849
Finance costs	918	677	96,571	76,254	10,033	7,702	-	-	107,522	84,633
Other expenses	32	68	953,279	978,667	574,463	542,356	-	-	1,527,774	1,521,091
<b>Total expenses excluding losses</b>	<b>391,632</b>	<b>244,163</b>	<b>9,729,726</b>	<b>12,684,060</b>	<b>5,909,634</b>	<b>5,024,287</b>	<b>-</b>	<b>-</b>	<b>16,030,992</b>	<b>17,952,510</b>
<b>Revenue</b>										
Appropriation	-	-	-	-	-	-	13,985,459	12,167,574	13,985,459	12,167,574
Sale of goods and services	-	2,445	-	275,348	-	27,810	-	-	-	305,603
Sale of goods and services from contracts with customers	53,030	-	354,380	-	30,200	-	-	-	437,610	-
Investment revenue	1,726	57	7,403	6,392	403	646	-	-	9,532	7,095
Shared and corporate services revenue	2,355	3,309	265,265	372,719	26,792	37,644	-	-	294,412	413,672
Grants and contributions	1,408	1,147	1,563,191	2,204,445	1,567,093	1,940,281	-	-	3,131,692	4,145,873
Retained taxes, fees and fines	-	-	42,509	-	-	-	-	-	42,509	-
Major rail project revenue	-	-	-	-	1,191,988	1,528,396	-	-	1,191,988	1,528,396
Resources received free of charge	1,794	280	32,612	31,591	9,890	3,191	-	-	44,296	35,062
Other revenue	570	-	280,851	-	88,675	-	-	-	370,096	-
<b>Total revenue</b>	<b>60,883</b>	<b>7,238</b>	<b>2,546,211</b>	<b>2,890,495</b>	<b>2,915,041</b>	<b>3,537,968</b>	<b>13,985,459</b>	<b>12,167,574</b>	<b>19,507,594</b>	<b>18,603,275</b>
Gain/(loss) on disposal	3,041	(171)	(13,886)	(1,583)	(1,670)	(306)	-	-	(12,515)	(2,060)
Impairment loss on financial asset	-	6	(2,828)	631	-	64	-	-	(2,828)	701
Other gains/(losses)	(245,107)	(30,787)	(16,288)	(74)	(365,985)	(7)	(7,730)	-	(635,110)	(30,868)
<b>Net result</b>	<b>(572,815)</b>	<b>(267,877)</b>	<b>(7,216,517)</b>	<b>(9,794,591)</b>	<b>(3,362,248)</b>	<b>(1,486,568)</b>	<b>13,977,729</b>	<b>12,167,574</b>	<b>2,826,149</b>	<b>618,538</b>
<b>Other comprehensive income</b>										
Net gains/(losses) in commodity swaps and foreign exchange	-	-	(69)	(290)	-	-	-	-	(69)	(290)
Net increase/(decrease) in asset revaluation surplus	-	-	510,894	796	-	-	-	-	510,894	796
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>510,825</b>	<b>506</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>510,825</b>	<b>506</b>
<b>Total comprehensive income</b>	<b>(572,815)</b>	<b>(267,877)</b>	<b>(6,705,692)</b>	<b>(9,794,085)</b>	<b>(3,362,248)</b>	<b>(1,486,568)</b>	<b>13,977,729</b>	<b>12,167,574</b>	<b>3,336,974</b>	<b>619,044</b>

Appropriations are made on an entity basis and not to individual program groups. Consequently appropriations are included in the "Not attributable" column. The comparative balances have been restated to the revised program groups utilised for Transport for NSW at 30 June 2020.

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**6. Program groups of Transport for NSW (cont'd)**

	Successful places for communities		Connecting our customers' whole lives		Transport systems and solutions		Not attributable		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>ASSETS</b>										
<b>Current assets</b>										
Cash and cash equivalents	42,154	6,733	504,835	758,333	609,773	76,591	486,495	-	1,643,257	841,657
Receivables	181,295	2,988	619,542	336,552	67,535	33,991	-	-	868,372	373,531
Inventories	168	-	3,813	-	682	-	-	-	4,663	-
Financial assets at fair value	-	-	119,970	9	-	-	-	-	119,970	9
Non-current assets held for sale	29,783	15,472	8,445	-	1,511	-	-	-	39,739	15,472
<b>Total current assets</b>	<b>253,400</b>	<b>25,193</b>	<b>1,256,605</b>	<b>1,094,894</b>	<b>679,501</b>	<b>110,582</b>	<b>486,495</b>	<b>-</b>	<b>2,676,001</b>	<b>1,230,669</b>
<b>Non-current assets</b>										
Receivables	625	-	14,180	-	2,564,002	-	-	-	2,578,807	-
Other financial assets	252,385	1,205	3,642	-	-	-	-	-	256,027	1,205
Property, plant and equipment										
Land and buildings	141,294	30,439	3,246,302	518,165	666,202	26,747	-	-	4,053,798	575,351
Plant and equipment	242,275	278,885	1,395,310	1,576,141	336,774	47,287	-	-	1,974,359	1,902,313
Infrastructure systems	157,016	488,593	87,736,664	4,603,483	16,861,626	959,617	-	-	104,755,306	6,051,693
Property, plant and equipment	540,585	797,917	92,378,276	6,697,789	17,864,602	1,033,651	-	-	110,783,463	8,529,357
Right of use assets	56,007	-	1,269,646	-	278,899	-	-	-	1,604,552	-
Intangible private sector provided infrastructure	2,779,746	-	-	-	-	-	-	-	2,779,746	-
Other intangible assets	298,258	272,175	587,289	362,919	125,307	81,701	-	-	1,010,854	716,795
Other assets	-	-	-	-	-	1,057,028	-	-	-	1,057,028
<b>Total non-current assets</b>	<b>3,927,606</b>	<b>1,071,297</b>	<b>94,253,033</b>	<b>7,060,708</b>	<b>20,832,810</b>	<b>2,172,380</b>	<b>-</b>	<b>-</b>	<b>119,013,449</b>	<b>10,304,385</b>
<b>Total assets</b>	<b>4,181,006</b>	<b>1,096,490</b>	<b>95,509,638</b>	<b>8,155,602</b>	<b>21,512,311</b>	<b>2,282,962</b>	<b>486,495</b>	<b>-</b>	<b>121,689,450</b>	<b>11,535,054</b>
<b>LIABILITIES</b>										
<b>Current liabilities</b>										
Payables	68,037	8,068	1,536,948	908,711	345,325	91,779	-	-	1,950,310	1,008,558
Contract liabilities	8,016	-	181,714	-	32,522	-	-	-	222,252	-
Borrowings	84,131	105,418	179,100	-	123,100	-	-	-	386,331	105,418
Provisions	68,189	-	14,590	14,038	2,611	-	-	-	85,390	14,038
Financial liabilities at fair value	57	-	-	-	-	-	-	-	57	-
Other liabilities	320,730	206,619	8,393	-	194,772	178,900	-	-	523,895	385,519
<b>Total current liabilities</b>	<b>549,160</b>	<b>320,105</b>	<b>1,920,745</b>	<b>922,749</b>	<b>698,330</b>	<b>270,679</b>	<b>-</b>	<b>-</b>	<b>3,168,235</b>	<b>1,513,533</b>
<b>Non-current liabilities</b>										
Contract liabilities	2,086	-	47,289	-	8,464	-	-	-	57,839	-
Borrowings	156,972	765,321	1,285,047	-	2,110,859	-	-	-	3,552,878	765,321
Provisions	942	-	26,940	9,000	3,821	-	-	-	31,703	9,000
Other liabilities	588,541	-	52,552	-	9,450	45	-	-	650,543	45
<b>Total non-current liabilities</b>	<b>748,541</b>	<b>765,321</b>	<b>1,411,828</b>	<b>9,000</b>	<b>2,132,594</b>	<b>45</b>	<b>-</b>	<b>-</b>	<b>4,292,963</b>	<b>774,366</b>
<b>Total liabilities</b>	<b>1,297,701</b>	<b>1,085,426</b>	<b>3,332,573</b>	<b>931,749</b>	<b>2,830,924</b>	<b>270,724</b>	<b>-</b>	<b>-</b>	<b>7,461,198</b>	<b>2,287,899</b>
<b>Net assets</b>	<b>2,883,305</b>	<b>11,064</b>	<b>92,177,065</b>	<b>7,223,853</b>	<b>18,681,387</b>	<b>2,012,238</b>	<b>486,495</b>	<b>-</b>	<b>114,228,252</b>	<b>9,247,155</b>

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**6. Program groups of Transport for NSW (cont'd)**

	Successful places for communities		Connecting our customers' whole lives		Transport systems and solutions		Not attributable		Total		
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Administered expenses											
Transfer payments - taxes, fees and fines	-	-	-	-	-	-	4,637	5,823	4,637	5,823	
Total administered expenses	-	-	-	-	-	-	4,637	5,823	4,637	5,823	
Administered income											
Transfer receipts - taxes, fees and fines	-	-	-	-	-	-	2,195,385	7,507	2,195,385	7,507	
Total administered income	-	-	-	-	-	-	2,195,385	7,507	2,195,385	7,507	
Administered income less expenses	-	-	-	-	-	-	2,190,748	1,684	2,190,748	1,684	

Administered assets and liabilities are disclosed in Note 30.

## **6. Program groups of Transport for NSW (cont'd)**

The NSW Government has developed a set of State Outcomes which articulate the primary purpose for which public resources are being spent, and the goals that Government is seeking to achieve for its citizens. Transport for NSW's program groups are mapped to the following State Outcomes:

### **For communities: Successful places for communities**

This outcome reflects Transport's impact on communities across NSW, supporting them to achieve their desired social, cultural, and economic outcomes. The successful places for communities outcome focuses on:

- Integrated resilient and accessible transport networks and places
- Protecting and enhancing communities and their environments

### **For customers: Connecting our customers' whole lives**

The Transport cluster will deliver and enable transport solutions that blend seamlessly into its customers' lifestyles, catering for the wide range of journey types needed by people, and for the movement of freight. The connecting our customers' whole lives outcome focuses on:

- Safe, seamless journeys for people and goods
- New mobility options and experiences

### **For the people of NSW: Transport systems and solutions that are financially and environmentally sustainable, supporting economic activity across the state**

Transport must acknowledge and embrace the critical role we play in driving economic growth and improving the quality of life for the people of NSW. The 'transport systems and solutions that are financially and environmentally sustainable, supporting economic activity across the state' focuses on:

- Quality assets and efficient networks maintained at the right price
- Transport investment and solutions that service the people of NSW.

## 7. Cash and cash equivalents

	2020 \$'000	2019 \$'000
Operating account	1,422,108	675,172
Remitting account, cash in transit and cash on hand <sup>1</sup>	62,842	-
On call deposits	65,988	-
Other	92,319	166,485
<b>Cash and cash equivalents<sup>2</sup></b>	<b>1,643,257</b>	<b>841,657</b>

<sup>1</sup>The remitting account balance above does not include cash of \$44.1 million relating to administered revenue held by Transport for NSW as at 30 June 2020 (refer to Note 30).

<sup>2</sup>The cash and cash equivalents account balance includes restricted cash (refer to Note 19).

Cash and cash equivalents comprise of cash at bank held predominantly through the Treasury Banking System (TBS). \$258.8 million (2019: \$280.9 million) of Opal fare box revenue to be paid to service operators and Opal cardholder balances comprise of accounts held through the TBS and outside of the TBS and in the case of term deposits of less than 90 days, TCorp. Cash and cash equivalents outside of the TBS are held with well rated major Australian banks.

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:

	2020 \$'000	2019 \$'000
Cash and cash equivalents (per Statement of financial position)	1,643,257	841,657
<b>Closing cash and cash equivalents (per Statement of cash flows)</b>	<b>1,643,257</b>	<b>841,657</b>

Refer Note 31 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

Cash and cash equivalent assets includes funds held in trust for compulsory land acquisition compensation payable under the *Land Acquisition (Just Terms Compensation) Act 1991* \$35.9 million (2019: nil).

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**8. Receivables**

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current receivables:</b>		
Trade receivables from contracts with customers	218,027	-
Sale of goods and services	-	208,669
Goods and Services Tax receivable	272,260	125,000
Prepayments - others	210,591	29,458
Prepayments - upfront contributions to private motorways	19,977	-
Income receivable	13,913	6,741
Property sales	16,388	-
Other receivables	123,053	2,656
Sub-lease receivable	5,229	-
Investment income receivable	525	1,007
	<b>879,963</b>	<b>373,531</b>
Less: Allowance for expected credit loss	(11,591)	-
<b>Current receivables</b>	<b>868,372</b>	<b>373,531</b>
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Movement in allowance for expected credit loss</b>		
Balance at 1 July	-	(702)
Transfer as a result of administrative restructure	(8,824)	-
Increase in allowance recognised in net result	(2,828)	-
Amounts written off/(back) during the period	61	-
Unused provision reversed	-	702
<b>Balance at 30 June</b>	<b>(11,591)</b>	<b>-</b>
<b>Non-current receivables:</b>		
Prepayments - upfront contributions to private motorways	2,561,465	-
Prepayments - others	4,124	-
Sub-lease receivable	13,218	-
<b>Non-current receivables</b>	<b>2,578,807</b>	<b>-</b>

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired, are disclosed in Note 31.

**Recognition and measurement**

Receivables are initially recognised at fair value plus any directly attributable transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price.

**Subsequent measurement**

Transport for NSW holds receivables with the objective to collect the contractual cash flows and therefore measures them at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

**Impairment**

Transport for NSW recognises an allowance for expected credit losses (ECLs) for all debt financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows and the cash flows that the entity expects to receive, discounted at the original effective interest rate.

For trade receivables, Transport for NSW applies a simplified approach in calculating ECLs. Transport for NSW recognises a loss allowance based on lifetime ECLs at each reporting date. Transport for NSW has established a provision matrix based on its historical credit loss experience for trade receivables, adjusted for forward-looking factors specific to the receivable.

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**9. Contract assets and liabilities**

	<b>2020 \$'000</b>	<b>1 July 2019 adjusted for AASB 15 \$'000</b>
Contract assets - current	-	-
Less: impairment allowance	-	-
<b>Contract assets</b>	-	-
Contract liabilities - current	222,252	1,887
Contract liabilities - non-current	57,839	-
<b>Contract liabilities</b>	<b>280,091</b>	<b>1,887</b>
<b>Contract receivables/(liabilities)</b>	<b>(280,091)</b>	<b>(1,887)</b>

**Recognition and measurement**

Contract liabilities relate to consideration received in advance from customers in respect of licence fees and toll revenue, and for accrued revenue for projects where milestones have not yet been met. The balance of contract liabilities at 30 June 2020 is driven by the amount of revenue that is prepaid by customers before they are utilised. The contract liability balance has increased during the year due to the equity transfer of the former Roads and Maritime's contract liabilities balance as at 1 December 2019.

	<b>2020 \$'000</b>
Revenue recognised that was included in the contract liability balance (adjusted for AASB 15) at the beginning of the year	1,887
Revenue recognised from performance obligations satisfied in previous periods	-
Transaction price allocated to remaining performance obligations from contracts with customers	280,091

**10. Inventories**

	<b>2020 \$'000</b>	<b>2019 \$'000</b>
Materials, spare parts and other stores	4,663	-
<b>Inventories</b>	<b>4,663</b>	-

**Recognition and measurement**

Inventories consist mainly of raw materials and supplies used for the construction and maintenance of roads, bridges and traffic signals.

Inventories held for distribution are stated at cost, adjusted when applicable, for any loss of service potential. A loss of service potential is identified and measured based on the existence of a current replacement cost that is lower than the carrying amount. Inventories (other than those held for distribution) are stated at the lower of cost and net realisable value. Cost is calculated using the first in first out method.

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 Transport for NSW would incur to acquire the asset. 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.

## 11. Financial assets at fair value

	2020 \$'000	2019 \$'000
<b>Financial assets held for trading</b>		
Foreign exchange derivatives - cash flow hedges	6	9
<b>Financial assets held for trading</b>	<b>6</b>	<b>9</b>
<b>Financial assets at fair value through profit or loss</b>		
TCorp IM Funds - long-term growth facility	38,198	-
TCorp IM Funds - medium-term growth facility	81,766	-
<b>Financial assets at fair value through profit or loss</b>	<b>119,964</b>	<b>-</b>
<b>Current financial assets at fair value</b>	<b>119,970</b>	<b>9</b>
<b>Non-current financial assets at fair value</b>	<b>-</b>	<b>-</b>

### Recognition and measurement

#### (i) Foreign exchange derivatives – cash flow hedges

Transport for NSW holds derivative financial instruments to hedge its foreign currency risk exposure arising from overseas purchase commitments. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Embedded derivatives are separated from the host contract and accounted for separately if certain criteria are met.

At the inception of the hedge relationship, Transport for NSW documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, Transport for NSW documents whether the hedging instrument is effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that Transport for NSW actually hedges and the quantity of the hedging instrument that Transport for NSW actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, Transport for NSW adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again

Transport for NSW has designated its forward currency contracts as cash flow hedges. The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income and included within the cash flow hedge reserve in equity, while any ineffective portion is recognised immediately in profit or loss.

At the time the hedged item affects profit or loss, any gain or loss previously recognised in other comprehensive income is transferred from equity to profit or loss and presented as a reclassification adjustment within other comprehensive income. However, if the hedged item is the cost of a non-financial asset or liability, the gains and losses previously recognised in other comprehensive income are included in the initial measurement of the hedged item.



## 11. Financial assets at fair value (cont'd)

### Recognition and measurement (cont'd)

Transport for NSW discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in cash flow hedge reserve is reclassified immediately to profit or loss.

### (ii) Financial assets at fair value through profit and loss

Transport for NSW's financial assets at fair value are classified, at initial recognition, as subsequently measured at fair value through profit or loss. Transaction costs of financial assets carried at fair value through profit or loss are expensed in net results.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. TCorpIM Funds are managed and their performance is evaluated on a fair value basis and therefore the business model is neither to hold to collect contractual cash flows nor sell the financial asset. Hence these investments are mandatorily required to be measured at fair value through profit or loss. Notwithstanding the criteria to be classified at amortised cost or at fair value through other comprehensive income, financial assets may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

A gain or loss on a financial asset that is subsequently measured at fair value through profit or loss is recognised in net results and presented net within other gains/(losses), except for TCorpIM Funds that are presented in 'investment revenue' in the period in which it arises.

The movement in the fair value of the NSW TCorp IM Funds incorporates distributions received as well as unrealised movements in fair value and is reported in Note 3(c) Investment revenue. Details regarding credit risk, liquidity risk and market risk arising from financial instruments are disclosed in Note 31.

## 12. Non-current assets held for sale

	2020 \$'000	2019 \$'000
<b>Non-current assets held for sale</b>		
Land and buildings held for sale	39,739	15,472
<b>Non-current assets held for sale</b>	<b>39,739</b>	<b>15,472</b>

### Recognition and measurement

Transport for NSW 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 measured 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.

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. Plant and equipment held for sale mainly consists of fleet assets that are no longer required for business purposes.

### 13. Other financial assets

	2020 \$'000	2019 \$'000
<b>Current other financial assets</b>	-	-
<b>Non-current other financial assets</b>		
Loan to Sydney Harbour Tunnel Company Limited	188,812	-
M2 and Eastern distributor operators promissory notes	63,574	-
Interest free advances to taxi operators	3,641	1,205
<b>Non-current other financial assets</b>	<b>256,027</b>	<b>1,205</b>

Refer to Note 31 for further information regarding credit risk, liquidity risk, and market risk arising from financial instruments and Note 8 for information on the impairment of financial assets.

#### Recognition and measurement

Loans, promissory notes, held-to-maturity investments and other recoverable amounts are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are initially measured at fair value plus any transaction cost.

#### Subsequent measurement

##### *Loans and receivables*

Other financial assets are classified and subsequently measured at amortised cost as they are held for collection of contractual cash flows solely representing payments of principal and interest. Impairment losses are presented as separate line item in the statement of comprehensive income. Any gain or loss arising on derecognition is recognised directly in net results and presented in other gains/(losses) together with foreign exchange gains and losses.

##### *Financial assets at amortised cost*

Other financial assets are classified and subsequently measured at amortised cost as they are held for collection of contractual cash flows solely representing payments of principal and interest. Impairment losses are presented as separate line item in the statement of comprehensive income. Any gain or loss arising on derecognition is recognised directly in net results and presented in other gains/(losses).

Details regarding credit risk, liquidity risk and market risk arising from financial instruments are disclosed in Note 31.

#### Impairment

Transport for NSW recognises an allowance for expected credit losses (ECLs) for all debt financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows and the cash flows that the entity expects to receive, discounted at the original effective interest rate.

ECLs are recognised in two stages. For credit exposures where there has not been a significant increase in credit risk since initial recognition, ECLs are based on default events possible within the next 12-months (i.e. a 12-month ECL). If there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (i.e. a lifetime ECL). In addition, Transport for NSW considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2020

## 14. Property, plant and equipment

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

	Land and buildings \$'000	Plant and equipment \$'000	Infrastructure systems \$'000	Total property, plant and equipment \$'000
<b>At 30 June 2020</b>				
Gross carrying amount	4,378,430	3,374,746	135,222,806	142,975,982
Accumulated depreciation and impairment	(324,632)	(1,400,387)	(30,467,500)	(32,192,519)
<b>Net carrying amount</b>	<b>4,053,798</b>	<b>1,974,359</b>	<b>104,755,306</b>	<b>110,783,463</b>
<b>At 1 July 2019</b>				
Gross carrying amount	864,878	3,740,082	17,049,245	21,654,205
Accumulated depreciation and impairment	(289,527)	(1,837,769)	(10,997,552)	(13,124,848)
<b>Net carrying amount</b>	<b>575,351</b>	<b>1,902,313</b>	<b>6,051,693</b>	<b>8,529,357</b>

Pages 39 - 42 displays the reconciliations of broad categories as a total. The reconciliations of classes of assets are disclosed in Pages 43 - 48 below.

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 18.

### Reconciliation

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

		Land and buildings \$'000	Plant and equipment \$'000	Infrastructure systems \$'000	Total property, plant and equipment \$'000
<b>Year ended 30 June 2020</b>	<b>Notes</b>				
Net carrying amount at beginning of year		575,351	1,902,313	6,051,693	8,529,357
Reclassification to right of use asset	15	-	(700,845)	-	(700,845)
Adjusted net carrying amount at beginning of year		575,351	1,201,468	6,051,693	7,828,512
Additions		278,904	170,512	6,097,349	6,546,765
Disposals	4	(2,881)	(4,986)	-	(7,867)
Asset write-off	5	-	-	(53,437)	(53,437)
Transfer (to)/from other classes of property, plant and equipment		200,524	742,360	(942,884)	-
Reclassifications (to)/from intangible assets	16(b)	-	28,284	(46,275)	(17,991)
Transfer (to)/ from other assets		(1,996)	(1,516)	983,630	980,118
Assets transferred to/from non-current assets held for sale		(30,955)	(56)	-	(31,011)
Depreciation expense	2(d)	(28,220)	(233,178)	(888,254)	(1,149,652)
Assets recognised for the first time	3(i)	-	-	87,795	87,795
Net revaluation increments less revaluation decrements recognised in equity		22,337	5,382	483,175	510,894
Net revaluation increment/(decrement) recognised in net result	5	(148,854)	-	(7,713)	(156,567)
Asset transfer (to)/from equity	24	(255,189)	(41,146)	(4,402,381)	(4,698,716)
Net increase in assets from administrative restructure	24	3,461,304	107,250	98,283,468	101,852,022
Transfer to councils, NSW government agencies & other parties	2(e)	-	(15)	(556,518)	(556,533)
Transfer from councils		-	-	315	315
Impairment losses	5	(1,306)	-	(352,212)	(353,518)
Transfer (to)/from other Transport agencies		(15,221)	-	17,555	2,334
<b>Net carrying amount at end of year</b>		<b>4,053,798</b>	<b>1,974,359</b>	<b>104,755,306</b>	<b>110,783,463</b>

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 18.

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**14. Property, plant and equipment (cont'd)**

<b>Year ended 30 June 2019</b>	<b>Notes</b>	<b>Land and buildings \$'000</b>	<b>Plant and equipment \$'000</b>	<b>Infrastructure systems \$'000</b>	<b>Total property, plant and equipment \$'000</b>
Net carrying amount at beginning of year		265,532	1,481,413	10,159,070	11,906,015
Additions		23,242	322,637	713,015	1,058,894
Disposals	4	(7,146)	(307)	(2,524)	(9,977)
Transfer (to)/from other classes of property, plant and equipment		32,560	124,597	(157,157)	-
Asset transfer (to)/from equity	24	4,992	-	-	4,992
Reclassifications (to)/from intangible assets	16(b)	(345)	239,775	(1,336)	238,094
Assets transferred to/from non-current assets held for sale		(15,472)	-	-	(15,472)
Transfer of asset under construction to local councils		-	(9,171)	-	(9,171)
Depreciation expense	2(d)	(19,508)	(285,410)	(186,437)	(491,355)
Net revaluation increments less revaluation decrements recognised in equity		40	5,989	(5,233)	796
Net increase/(decrease) in assets from administrative restructure		291,456	27,351	(4,348,632)	(4,029,825)
Transfer (to)/from other Transport agencies		-	(4,561)	(119,073)	(123,634)
<b>Net carrying amount at end of year</b>		<b>575,351</b>	<b>1,902,313</b>	<b>6,051,693</b>	<b>8,529,357</b>

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**14. Property, plant and equipment (cont'd)**

**Property, plant and equipment held and used by Transport for NSW**

	Land and buildings \$'000	Plant and equipment \$'000	Infrastructure systems \$'000	Total \$'000
<b>At 30 June 2020</b>				
Gross carrying amount	3,368,640	3,374,746	134,870,457	141,613,843
Accumulated depreciation and impairment	(324,329)	(1,400,387)	(30,467,500)	(32,192,216)
<b>Net carrying amount</b>	<b>3,044,311</b>	<b>1,974,359</b>	<b>104,402,957</b>	<b>109,421,627</b>
<b>At 30 June 2019</b>				
Gross carrying amount	754,357	3,740,082	17,049,245	21,543,684
Accumulated depreciation	(268,830)	(1,837,769)	(10,997,552)	(13,104,151)
<b>Net carrying amount</b>	<b>485,527</b>	<b>1,902,313</b>	<b>6,051,693</b>	<b>8,439,533</b>

A reconciliation of the carrying amount of each class of property, plant and equipment held and used by Transport for NSW at the beginning and end of the reporting period is set out below:

	Land and buildings \$'000	Plant and equipment \$'000	Infrastructure systems \$'000	Total property, plant and equipment \$'000
<b>Year ended 30 June 2020</b>				
Net carrying amount at beginning of year	485,527	1,902,313	6,051,693	8,439,533
Reclassification to right of use asset	-	(700,845)	-	(700,845)
Adjusted net carrying amount at beginning of year	485,527	1,201,468	6,051,693	7,738,688
Additions	278,904	170,512	6,097,349	6,546,765
Disposals	(2,881)	(4,986)	-	(7,867)
Asset write-off	-	-	(53,437)	(53,437)
Transfer (to)/from other classes of property, plant and equipment	181,144	742,360	(942,884)	(19,380)
Reclassifications (to)/from intangible assets	-	28,284	(46,275)	(17,991)
Transfer (to)/ from other assets	(1,996)	(1,516)	983,630	980,118
Assets transferred to/from non-current assets held for sale	(30,955)	(56)	-	(31,011)
Depreciation expense	(28,199)	(233,178)	(888,254)	(1,149,631)
Assets recognised for the first time	-	-	87,795	87,795
Net revaluation increments less revaluation decrements recognised in equity	9,991	5,382	495,330	510,703
Net revaluation increment/(decrement) recognised in net result	(110,560)	-	(7,713)	(118,273)
Asset transfer (to)/from equity	(249,535)	(41,146)	(4,402,381)	(4,693,062)
Net increase in assets from administrative restructure	2,529,398	107,250	97,918,964	100,555,612
Transfer to councils, NSW government agencies & other parties	-	(15)	(556,518)	(556,533)
Transfer from councils	-	-	315	315
Impairment losses	(1,306)	-	(352,212)	(353,518)
Transfer (to)/from other Transport agencies	(15,221)	-	17,555	2,334
<b>Net carrying amount at end of year</b>	<b>3,044,311</b>	<b>1,974,359</b>	<b>104,402,957</b>	<b>109,421,627</b>

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**14. Property, plant and equipment (cont'd)**

**Property, plant and equipment where Transport for NSW is lessor under operating leases**

	Land and buildings \$'000	Plant and equipment \$'000	Infrastructure systems \$'000	Total \$'000
<b>At 30 June 2020</b>				
Gross carrying amount	1,009,790	-	352,349	1,362,139
Accumulated depreciation	(303)	-	-	(303)
<b>Net carrying amount</b>	<b>1,009,487</b>	<b>-</b>	<b>352,349</b>	<b>1,361,836</b>
<b>At 30 June 2019</b>				
Gross carrying amount	110,521	-	-	110,521
Accumulated depreciation	(20,697)	-	-	(20,697)
<b>Net carrying amount</b>	<b>89,824</b>	<b>-</b>	<b>-</b>	<b>89,824</b>

A reconciliation of the carrying amount of each class of property, plant and equipment subject to an operating lease at the beginning and end of the reporting period is set out below:

	Land and buildings \$'000	Plant and equipment \$'000	Infrastructure systems \$'000	Total property, plant and equipment \$'000
<b>Year ended 30 June 2020</b>				
Net carrying amount at beginning of year	89,824	-	-	89,824
Reclassification to right of use asset	-	-	-	-
Adjusted net carrying amount at beginning of year	89,824	-	-	89,824
Transfer (to)/from other classes of property, plant and equipment	19,380	-	-	19,380
Depreciation expense	(21)	-	-	(21)
Net revaluation increments less revaluation decrements recognised in equity	12,346	-	(12,155)	191
Net revaluation increment/(decrement) recognised in net result	(38,294)	-	-	(38,294)
Asset transfer (to)/from equity	(5,654)	-	-	(5,654)
Net increase in assets from administrative restructure	931,906	-	364,504	1,296,410
<b>Net carrying amount at end of year</b>	<b>1,009,487</b>	<b>-</b>	<b>352,349</b>	<b>1,361,836</b>

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**14. Property, plant and equipment (cont'd)**

**Land and buildings reconciliation**

Land and buildings reconciliation Year ended 30 June 2020	Notes	Land \$'000	Buildings \$'000	Land acquired for future works \$'000	Leasehold improvements \$'000	Assets under construction \$'000	Total \$'000
Net carrying amount at beginning of year		371,776	130,176	-	15,339	58,060	575,351
Additions		2,329	20,098	167,447	3,141	85,889	278,904
Disposals		-	(2,810)	-	(71)	-	(2,881)
Transfer (to)/from other classes of property, plant and equipment		100,700	125,304	8,361	9,872	(43,713)	200,524
Transfer (to)/ from other assets		-	(7)	-	(1,989)	-	(1,996)
Assets transferred to/from non-current assets held for sale		(13,938)	-	(17,017)	-	-	(30,955)
Depreciation expense	2(d)	-	(12,586)	-	(15,634)	-	(28,220)
Net revaluation increments less revaluation decrements recognised in equity		-	22,337	-	-	-	22,337
Net revaluation increment/(decrement) recognised in net result		-	-	(148,854)	-	-	(148,854)
Asset transfer (to)/from equity		(160,345)	(94,834)	-	(10)	-	(255,189)
Net increase in assets from administrative restructure		320,084	138,018	2,952,437	37,823	12,942	3,461,304
Impairment losses		(1,306)	-	-	-	-	(1,306)
Transfer (to)/from other Transport agencies		-	(15,221)	-	-	-	(15,221)
<b>Net carrying amount at 30 June 2020</b>		<b>619,300</b>	<b>310,475</b>	<b>2,962,374</b>	<b>48,471</b>	<b>113,178</b>	<b>4,053,798</b>

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**14. Property, plant and equipment (cont'd)**

**Land and buildings reconciliation (cont'd)**

Land and buildings reconciliation		Land	Buildings	Land acquired for	Leasehold	Assets under construction	Total
Year ended 30 June 2019	Notes	\$'000	\$'000	future works	improvements	\$'000	\$'000
				\$'000	\$'000		
Net carrying amount at beginning of year		170,043	32,602	-	6,290	56,597	265,532
Additions		2,367	1,005	-	4,610	15,260	23,242
Disposals	4	-	-	-	(7,146)	-	(7,146)
Transfer (to)/from other classes of property, plant and equipment	25	18,337	460	-	18,288	(4,525)	32,560
Asset transfer (to)/from equity	24	(56)	(1,152)	-	-	6,200	4,992
Reclassifications (to)/from intangible assets	16(b)	-	-	-	(345)	-	(345)
Assets transferred to/from non-current assets held for sale		-	-	-	-	(15,472)	(15,472)
Depreciation expense	2(d)	-	(13,150)	-	(6,358)	-	(19,508)
Net revaluation increments less revaluation decrements recognised in equity		40	-	-	-	-	40
Net increase/(decrease) in assets from administrative restructure		188,045	110,411	-	-	-	298,456
Net increase/(decrease) in assets from administrative restructure		(7,000)	-	-	-	-	(7,000)
<b>Net carrying amount at 30 June 2019</b>		<b>371,776</b>	<b>130,176</b>	<b>-</b>	<b>15,339</b>	<b>58,060</b>	<b>575,351</b>



**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**14. Property, plant and equipment (cont'd)**

**Plant and equipment reconciliation**

Plant and equipment reconciliation		Plant and equipment	Finance leased buses	Buses	Rolling stock	Ferries	Assets under construction	Total
Year ended 30 June 2020	Notes	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Net carrying amount at beginning of year		795,016	700,845	328,904	70,784	844	5,920	1,902,313
Reclassification to right of use asset	15	-	(700,845)	-	-	-	-	(700,845)
Adjusted net carrying amount at beginning of year		795,016	-	328,904	70,784	844	5,920	1,201,468
Additions		3,798	-	66,922	376	-	99,416	170,512
Disposals		(2,796)	-	(2,190)	-	-	-	(4,986)
Transfer (to)/from other classes of property, plant and equipment		126,344	-	(2,661)	644,301	-	(25,624)	742,360
Reclassifications (to)/from intangible assets		43,157	-	-	-	-	(14,873)	28,284
Transfer (to)/ from other assets		(1,516)	-	-	-	-	-	(1,516)
Assets transferred to/from non-current assets held for sale		(56)	-	-	-	-	-	(56)
Depreciation expense	2(d)	(175,464)	-	(43,235)	(14,239)	(240)	-	(233,178)
Net revaluation increments less revaluation decrements recognised in equity		950	-	-	3,515	917	-	5,382
Asset transfer (to)/from equity		(41,146)	-	-	-	-	-	(41,146)
Net increase in assets from administrative restructure		88,242	-	-	-	-	19,008	107,250
Transfer to councils, NSW government agencies & other parties		(15)	-	-	-	-	-	(15)
<b>Net carrying amount at 30 June 2020</b>		<b>836,514</b>	<b>-</b>	<b>347,740</b>	<b>704,737</b>	<b>1,521</b>	<b>83,847</b>	<b>1,974,359</b>

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**14. Property, plant and equipment (cont'd)**

**Plant and equipment reconciliation (cont'd)**

Plant and equipment reconciliation Year ended 30 June 2019	Notes	Plant and equipment \$'000	Finance leased buses \$'000	Buses \$'000	Rolling stock \$'000	Ferries \$'000	Assets under construction \$'000	Total \$'000
Net carrying amount at beginning of year		467,756	891,959	47,825	29,460	1,120	43,293	1,481,413
Additions		66,056	158,780	36,348	11,443	-	50,010	322,637
Disposals	4	(188)	-	(119)	-	-	-	(307)
Transfer (to)/from other classes of property, plant and equipment		105,366	(259,212)	260,665	25,924	-	(8,146)	124,597
Reclassifications (to)/from intangible assets	16(b)	319,012	-	-	-	-	(79,237)	239,775
Depreciation expense	2(d)	(150,338)	(90,682)	(42,082)	(2,032)	(276)	-	(285,410)
Net revaluation increments less revaluation decrements recognised in equity		-	-	-	5,989	-	-	5,989
Net increase/(decrease) in assets from administrative restructure		1,084	-	26,267	-	-	-	27,351
Transfer (to)/from other Transport agencies		(4,561)	-	-	-	-	-	(4,561)
Transfer of asset under construction to local councils		(9,171)	-	-	-	-	-	(9,171)
<b>Net carrying amount at 30 June 2019</b>		<b>795,016</b>	<b>700,845</b>	<b>328,904</b>	<b>70,784</b>	<b>844</b>	<b>5,920</b>	<b>1,902,313</b>

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**14. Property, plant and equipment (cont'd)**

**Infrastructure systems reconciliation**

Infrastructure systems reconciliation Year ended 30 June 2020	Notes	Roads \$'000	Land under roads and tracks \$'000	Bridges \$'000	Sydney Harbour Tunnel \$'000	Traffic signals network \$'000	Traffic controls network \$'000	Rail systems \$'000	Maritime infrastructure \$'000	Assets under construction \$'000	Total \$'000
Net carrying amount at beginning of year		-	-	-	-	-	-	4,681,859	393	1,369,441	6,051,693
Additions		2,522	-	-	-	-	-	2,010,996	-	4,083,831	6,097,349
Asset write-off		(12,987)	-	(1,691)	-	(1,021)	(548)	-	(12,600)	(24,590)	(53,437)
Transfer (to)/from other classes of property, plant and equipment		831,530	21,620	210,245	-	26,987	39,900	478,579	18,392	(2,570,137)	(942,884)
Reclassifications (to)/from intangible assets		-	-	-	-	-	-	-	-	(46,275)	(46,275)
Transfer (to)/ from other assets		(47,802)	-	22,340	-	-	(534)	-	-	1,009,626	983,630
Depreciation expense	2(d)	(634,817)	-	(135,827)	(9,719)	(24,148)	(37,947)	(34,378)	(11,418)	-	(888,254)
Assets recognised for the first time		-	32,480	12,324	-	-	758	700	36,973	4,560	87,795
Net revaluation increments less revaluation decrements recognised in equity		122,760	-	24,465	-	14,787	23,482	(20,941)	318,622	-	483,175
Net revaluation increment/(decrement) recognised in net result		-	(4,118)	-	(3,595)	-	-	-	-	-	(7,713)
Asset transfer (to)/from equity		-	-	-	-	-	-	(4,402,381)	-	-	(4,402,381)
Net increase in assets from administrative restructure		65,610,718	1,893,731	16,823,485	976,205	257,186	559,858	-	884,123	11,278,162	98,283,468
Transfer to councils, NSW government agencies & other parties		(120)	-	-	-	-	-	(354,829)	5	(201,574)	(556,518)
Transfer from councils		-	-	314	-	-	-	-	1	-	315
Impairment losses		-	(14,287)	-	-	-	-	(337,925)	-	-	(352,212)
Transfer (to)/from other Transport agencies		13,655	-	-	-	3,900	-	-	-	-	17,555
<b>Net carrying amount at 30 June 2020</b>		<b>65,885,459</b>	<b>1,929,426</b>	<b>16,955,655</b>	<b>962,891</b>	<b>277,691</b>	<b>584,969</b>	<b>2,021,680</b>	<b>1,234,491</b>	<b>14,903,044</b>	<b>104,755,306</b>

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**14. Property, plant and equipment (cont'd)**

**Infrastructure systems reconciliation (cont'd)**

Infrastructure systems reconciliation		Roads	Land under roads and tracks	Bridges	Sydney Harbour Tunnel	Traffic signals network	Traffic controls network	Rail systems	Maritime infrastructure	Assets under construction	Total
Year ended 30 June 2019	Notes	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Net carrying amount at beginning of year		-	-	-	-	-	-	4,587,888	400	5,570,782	10,159,070
Additions		-	-	-	-	-	-	99,129	-	613,886	713,015
Disposals	4	-	-	-	-	-	-	(2,524)	-	-	(2,524)
Transfer (to)/from other classes of property, plant and equipment		-	-	-	-	-	-	237,468	-	(394,625)	(157,157)
Reclassifications (to)/from intangible assets	16(b)	-	-	-	-	-	-	-	-	(1,336)	(1,336)
Depreciation expense	2(d)	-	-	-	-	-	-	(186,430)	(7)	-	(186,437)
Net revaluation increments less revaluation decrements recognised in equity		-	-	-	-	-	-	(5,233)	-	-	(5,233)
Net increase/(decrease) in assets from administrative restructure		-	-	-	-	-	-	-	-	142,661	142,661
Net increase/(decrease) in assets from administrative restructure		-	-	-	-	-	-	(4,515)	-	(4,486,778)	(4,491,293)
Transfer (to)/from other Transport agencies		-	-	-	-	-	-	(43,924)	-	(75,149)	(119,073)
<b>Net carrying amount at 30 June 2019</b>		-	-	-	-	-	-	<b>4,681,859</b>	<b>393</b>	<b>1,369,441</b>	<b>6,051,693</b>

## **14. Property, plant and equipment (cont'd)**

### **Recognition and measurement**

#### **(i) Capitalisation and initial recognition**

Property, plant and equipment 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 and direct labour, as well as an appropriate proportion of variable and fixed overhead costs that can be reliably attributed to the assets.

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.

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

#### **(ii) 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. Items below these amounts are expensed in the period in which they are incurred.

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) and 2(b)).

#### **(iii) Assets not able to be reliably measured**

Transport for NSW has minor cultural collection items such as prints, drawings and artefacts. These have no active market. Items considered immaterial have not been recognised in the Statement of financial position.

#### **(iv) Valuation of property, plant and equipment**

Physical non-current assets are valued in accordance with the 'Valuation of Physical Non-Current Assets at Fair Value' Policy and Guidelines Paper (TPP 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.

## 14. Property, plant and equipment (cont'd)

### Recognition and measurement (cont'd)

#### (v) Revaluation of property, plant and equipment

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 18 for further information regarding fair value.

Transport for NSW 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. Refer to Note 18 for further information regarding fair value.

Comprehensive revaluations by external valuers are undertaken on a three year cycle for property assets, and on a five year cycle for infrastructure assets and specified plant and equipment, excluding Rolling stock and Rail infrastructure which are revalued on a rolling basis. Details of property, plant and equipment comprehensive revaluations are summarised as follows:

Asset Category	Asset Class	Date of last comprehensive revaluation
Land and Buildings	Land	31 March 2018/2019
	Buildings	31 March 2018/2019
	Land acquired for future roadworks	31 March 2019
Plant and Equipment	Ferries	31 March 2020
	Buses	31 March 2017
	Rolling stock	31 March 2019/31 March 2020 for Newcastle Light Rail Rolling stock
Infrastructure Systems	Roads	31 March 2018
	Land under roads and tracks	31 March 2019
	Bridges	31 March 2018
	Sydney Harbour Tunnel	To be comprehensively revalued as part of AASB1059 requirements
	Traffic signals network	31 March 2019
	Traffic controls network	31 March 2019
	Maritime assets	31 March 2020
	Rail infrastructure	31 March 2019/31 March 2020 for Newcastle Light Rail

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 material.

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

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.

## **14. Property, plant and equipment (cont'd)**

### **Recognition and measurement (cont'd)**

#### **(v) Revaluation of property, plant and equipment (cont'd)**

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 gain.

Revaluation decrements are recognised immediately as loss, 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.

When revaluing non-current assets using the cost approach, the gross amount and the related accumulated depreciation are separately restated. Where the income approach or market approach is used, accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

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.

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

#### **Depreciation of Plant and equipment**

<b>Asset</b>	<b>Measurement/Valuation Policy</b>	<b>Depreciation policy</b>
Plant and equipment	Current replacement cost	Depreciated on the straight-line method over the estimated useful life between 2 and 60 years.
Buses	Optimised replacement cost	Depreciated on the diminishing value method over the estimated useful life between 20 and 25 years.
Rolling stock	Current replacement cost	Depreciated on the straight-line method over the estimated useful life of 25-30 years.
Ferries	Current replacement cost	Depreciated on the straight-line method over the estimated useful life of 45 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 Transport for NSW.

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 Transport for NSW 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.

## 14. Property, plant and equipment (cont'd)

### Recognition and measurement (cont'd)

#### (v) Revaluation of property, plant and equipment (cont'd)

#### Land and buildings

Asset	Measurement/Valuation policy	Depreciation policy
Land and buildings	Land and buildings in service are generally valued using the market approach and at current replacement cost (buildings). Where such properties are rented externally they are valued at current market value. Land and buildings in service are subject to comprehensive revaluation every three years by registered valuers. Desktop valuations will be carried out in the two years in between to ensure that carrying amounts do not differ materially from fair value at reporting date.	Land is not a depreciable asset.  Buildings – Depreciated on the straight-line basis over the estimated useful life of between 10 and 80 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. Desktop valuations will be carried out in the two years in between the comprehensive revaluation 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 each Local Government Area (LGA) adjusted by an "open spaces ratio" (OSR).	No depreciation is charged as buildings are not purchased to generate revenue but ultimately to be demolished for roadworks.
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 AUC 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 restriction in use.

Included in the value of land and buildings in service is an amount of \$30.3 million (2019: nil) for both land and buildings on Crown land excluding depreciation on the buildings. As Transport for NSW effectively "controls" this Crown land, it has been included in Transport for NSW's 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.



## 14. Property, plant and equipment (cont'd)

### Recognition and measurement (cont'd)

#### (v) Revaluation of property, plant and equipment (cont'd)

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. Land and buildings will be revalued at market value over a three year cycle and desktop valuations performed in the two years in between to ensure that carrying amounts do not differ materially from fair value at reporting date.

#### Infrastructure systems

Asset	Measurement/Valuation policy	Depreciation policy
<b>Roads</b>	Current replacement cost	Depreciated over estimated useful life using straight-line method.
Earthworks – not depreciated		- Indefinite
Earthworks – depreciated		- 50 years
Pavement wearing surface – asphalt		- 18 - 25 years
Pavement wearing surface – spray sealed		- 7 - 12 years
Pavement wearing surface – concrete		- 18 - 25 years
Pavement base and sub-base		- 81 - 108 years
Culverts & drainage		- 50 - 100 years
Safety barriers		- 40 - 80 years
Fences		- 40 years
Noise walls		- 100 years
Medians		- 50 years
Rest areas		- 10 - 20 years
Other assets (footway, vegetation, landscaping, kerbs and gutters, guide posts, pavement markings, signposting, retaining walls)		- 20 - 100 years
<b>Bridges</b>	Current replacement cost	Depreciated over estimated useful life dependant on bridge type using straight-line method:
Timber structure and timber truss		- 60-100 years
Concrete structures		- 100 years
Steel structures		- 100 years
Heritage bridges		- 100 years
Bridge size culverts/tunnels		- 100 years

## 14. Property, plant and equipment (cont'd)

### Recognition and measurement (cont'd)

#### (v) Revaluation of property, plant and equipment (cont'd)

Asset	Measurement/Valuation policy	Depreciation policy
<b>Traffic signals</b>	Current replacement cost	Depreciated over estimated useful life of using straight line method.
Lanterns		- 15 years
Posts		- 30 years
Loops		- 10 years
Controller		- 15 years
Civils		- 30 years
<b>Traffic Control Network</b>	Current replacement cost	Depreciated over estimated useful life dependant on asset type using straight-line method
Enforcement systems		- 10 - 40 years
Traffic monitoring units		- 15 years
Weather stations		- 15 - 40 years
Variable speed signs		- 15 - 40 years
Variable message signs		- 15 - 40 years
Tidal flow systems		- 20 years
Over-speed detection systems		- 15 - 40 years
Over-height detection systems		- 15 years
Vehicle detection classification system		- 15 - 40 years
Emergency warning systems		- 15 years
Advanced warning systems		- 15 - 40 years
Changeable message signs		- 15 - 40 years
Weigh-in-motion systems		- 15 - 40 years
Street lights		- 15 - 30 years
Emergency phones		- 15 - 30 years
School zone warning system		- 15 - 40 years
Traffic management centre		- 5 - 30 years

## 14. Property, plant and equipment (cont'd)

### Recognition and measurement (cont'd)

#### (v) Revaluation of property, plant and equipment (cont'd)

Asset	Measurement/Valuation policy	Depreciation policy
<b>Land under roads, tracks and within road reserves</b>	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.
<b>Sydney Harbour Tunnel</b>	Current replacement cost	Depreciated over estimate useful life depending on asset type:
Immersed tube		- 100 years
Mechanical and electrical		- 35 years
Pavement		- 35 years
Earthworks		- Indefinite life
<b>Rail Systems</b>	Current replacement cost	Depreciated over estimated useful life of between 15 and 100 years.
<b>Maritime Infrastructure</b>		
Wharves and jetties	Current replacement cost	Depreciated over estimated useful life of between 30 and 50 years.
Seawall	Current replacement cost	Depreciated over estimated useful life of 80 years.
Dredging assets	Current replacement cost	Indefinite lives.
Maritime roads	Current replacement cost	Depreciated over estimated useful life of 40 years.
Navigational aids	Current replacement cost	Depreciated on the estimated useful life of between 10 and 30 years.
Moorings and wetlands	Income approach	Indefinite lives.

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

## **14. Property, plant and equipment (cont'd)**

### **Recognition and measurement (cont'd)**

#### **(v) Revaluation of property, plant and equipment (cont'd)**

#### **Valuation methodologies**

The methods and significant assumptions applied in estimating these asset class fair values include:

#### **Traffic Signal and Traffic Control Network**

The approach involved the following steps:

- Obtaining asset inventory data for asset types from various sources of databases.
- Applying unit rates for technical and structural components where possible to determine the estimated replacement cost for each asset type.
- Estimating normal useful lives and remaining useful lives. Remaining life extensions have been applied to all assets which are past their normal useful life but still in use.
- Applying depreciation (straight line) based on age/life analysis to estimate fair value.

#### **Roads**

*Primary Approach* – applied to pavements (wearing surface and base/sub-base), culverts, earthworks, safety barriers and fencing, noise walls, medians and rest areas. This approach involved the following steps:

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

*Secondary Approach* – applied to “other” corridor assets categories. This approach involved the following steps:

- Obtaining percentage breakdown of components from Transport for NSW’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 by ‘Region’, ‘Road rank’, and ‘Terrain’
- Transport for NSW’s PMO unit rates were only available by region and 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 component ages have been based on the newer of the road construction or rehabilitation dates
- The effective age and remaining useful lives of base/sub-base assets to determine their fair value are estimated based on the asset condition data derived by the Transport for NSW pavement engineers.
- Wearing surface asset ages have been based on the newer of construction, resurfacing or rehabilitation dates
- Remaining life extensions of 2 years have been applied to wearing surface components past their useful lives. These assumptions are based on Transport for NSW’s projected pavement rebuilding/resurfacing estimates.
- Sub-categories for Pavements have been identified by ‘Pavement category’, ‘Region’, and ‘Road rank’

## **14. Property, plant and equipment (cont'd)**

### **Recognition and measurement (cont'd)**

#### **(v) Revaluation of property, plant and equipment (cont'd)**

##### *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 and Drainage that were past their useful life
- Stereotypes for Culverts have been identified as 'Culvert type', 'Region', and 'Pipe diameter / box width'
- Culverts with high risk rating (ARL 1 and 2) have been depreciated on a straight line basis over an effective remaining useful life of 10 years in accordance with Transport for NSW's current Corridor Asset Management Plan
- 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. Unit rates (per m) were based on 100mm perforated plastic piping.
- Major culverts over 6 metres are classified as bridges and included in the Bridge Asset Class.

##### *Safety Barrier and Fence assumptions*

- Sub-categories have been identified by 'Barrier type', 'Start and end terminal type' and 'Region'
- Age calculations for depreciation were determined using the barrier construction date, if available, or the road segment construction date as a proxy.
- A remaining life extension of 5 years has been applied to all safety barriers and fences that were past their useful life.

##### *Rest Areas and Medians assumptions*

- The ages of the assets were calculated based on the segment construction date
- A remaining life extension of 5 years has been applied to the assets that were past their useful life.

##### *Noise Walls assumptions*

- Age calculations for depreciation were determined using the noise wall construction date, if available, or the road segment construction date as a proxy
- A remaining life extension of 5 years has been applied to all noise walls that were past their useful life.

### **Bridges and Tunnels**

The approach involved the following steps:

- Obtaining bridge asset inventory data from the Bridge Information System (BIS).
- Applying unit rates to the inventory listing based on the modern equivalent capitalisation type.
- Estimating replacement cost based on the bridge deck area.
- Estimating normal useful lives and remaining useful lives based on element condition data.
- Applying depreciation (straight line) based on age/life analysis to estimate fair value. The element condition data collected by Transport for NSW bridge maintenance planners was used to assess the effective age and effective remaining lives of the bridge assets

Due to the specialised nature of 'Roads' asset class, and the fact that 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 Project Management Office.

## **14. Property, plant and equipment (cont'd)**

### **Recognition and measurement (cont'd)**

#### **(v) Revaluation of property, plant and equipment (cont'd)**

##### **Maritime infrastructure assets**

A comprehensive revaluation was performed as at 31 March 2020 for wharves and jetties, seawalls, dredging, maritime roads and navigational aids. The revaluation involved the following steps:

- Obtaining asset inventory data for asset types from various sources of databases.
- Applying average unit rates for assets and asset components where possible to determine the estimated replacement cost for each asset type.
- Estimating normal useful lives and remaining useful lives based on condition. Remaining life extensions have been applied to all assets which are past their normal useful life but still in use.
- Applying depreciation (straight line) based on age/life analysis to estimate fair value.

##### **Rail infrastructure**

Rail Systems assets were identified as specialised assets and have therefore been valued using the cost approach.

###### *Newcastle Light Rail*

Due to this being a recently constructed project, the gross replacement cost has been determined by adjusting the historical cost (excluding relocation costs) using relevant indices.

###### *Inner West Light Rail*

Due to the specialised nature of transport assets and the lack of credible comparable market evidence, the valuation was predominantly undertaken using the Current Replacement Cost (CRC) method, taking into account relevant indices and high-level costing data at the category level for the CBD & South East Light Rail where assets are comparable.

#### **(vi) 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. Since 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 current replacement cost, where current replacement cost is also fair value.

Transport for NSW assesses, during each reporting date, whether there is an indication that an asset may be impaired. Where such an indication exists, an estimate of the recoverable amount is made. An impairment loss is recognised in the Statement of comprehensive income when the carrying amount of an asset exceeds its recoverable amount unless the asset has been revalued in which case the impairment loss is treated as a revaluation decrease. When the impairment subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### **(vii) 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.

## **14. Property, plant and equipment (cont'd)**

### **Recognition and measurement (cont'd)**

#### **(v) 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.

#### **(vi) Maintenance**

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

#### **(vii) Finance leases acquired by lessees (Under AASB 117 until 30 June 2019)**

Until 30 June 2019, AASB 117 *Leases* (AASB 117) distinguished between finance leases that 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 does not transfer substantially all the risks and rewards.

Property, plant and equipment at 30 June 2019 includes non-current assets acquired under finance leases only. The assets are recognised at fair value or, if lower, the present value of the minimum lease payments, at the inception of the lease. Property, plant and equipment does not include amounts in respect of operating leases.

Property, plant and equipment acquired under finance leases are depreciated over the asset's useful life. However, if there is no reasonable certainty that the lessee entity will obtain ownership at the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

#### **(viii) Right of use assets acquired by lessees (under AASB 16 from 1 July 2019)**

From 1 July 2019, AASB 16 *Leases* requires a lessee to recognise a right of use asset for most leases. Transport for NSW has elected to present right of use assets separately in the Statement of Financial Position.

Therefore, as at 1 July 2019, property, plant and equipment recognised under leases previously treated as finance leases under AASB 117 are derecognised. The right of use assets arising from these leases are recognised and included in the separate line item together with those right of use assets arising from leases previously treated as operating leases under AASB 117. Further information on leases is contained at Note 15.

Transport for NSW entity has adopted the option to not apply AASB 16 to assets that would be classified as service concession assets in accordance with AASB 1059 *Service Concession Arrangements: Grantors*. The entity continues to apply its existing accounting policy to these assets until AASB 1059 is applied.

#### **(ix) Privately Financed Project assets accounted for as leased assets under TPP06-08**

Transport for NSW has adopted the option to not apply AASB 16 to assets that would be classified as service concession assets in accordance with AASB 1059 *Service Concession Arrangements: Grantors*. Transport for NSW continues to apply its existing accounting policy to these assets until AASB 1059 is applied.

#### **(x) Derecognition**

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Gains and losses on disposal are determined by comparing the proceeds with the carrying amount of the asset and are included in the Statement of comprehensive income.

## 15. Leases

### (a) Transport for NSW as a lessee

Transport for NSW leases various properties, land, equipment and motor vehicles. Lease contracts are typically made for fixed periods of 1 to 74 years, but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. Transport for NSW does not provide residual value guarantees in relation to leases.

Extension and termination options are included in a number of property and equipment leases. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the entity and not by the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows of \$61.6 million have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was a decrease in recognised lease liabilities and right of use assets of \$0.1 million.

Transport for NSW has elected to recognise payments for short-term leases and low value leases as expenses on a straight-line basis, instead of recognising a right of use asset and lease liability. Short-term leases are leases with a lease term of 12 months or less. Low value assets are assets with a fair value of \$10,000 or less when new and comprise mainly of some property leases and information technology leases.

#### Right of use assets under leases

The following table presents the movement in right of use assets during the year.

	Notes	Land and buildings \$'000	Plant and equipment \$'000	Total \$'000
<b>Balance at 1 July 2019</b>		-	-	-
Reclassification from finance leased buses	14	-	700,845	700,845
Recognition of right of use asset on initial application of AASB16	1(h)(i)	134,428	92,410	226,838
<b>Adjusted net carrying amount at beginning of year</b>		<b>134,428</b>	<b>793,255</b>	<b>927,683</b>
Net increase in assets from administrative restructure	24	129,310	64,872	194,182
Disposals	4	(6)	(7,940)	(7,946)
Additions		641,469	111,795	753,264
Transfer (to)/ from other assets		(18,870)	(276)	(19,146)
Impairment losses	5	(71,557)	-	(71,557)
Re-measurement of leases		9,290	(8,689)	601
Depreciation expense	2(d)	(55,734)	(116,795)	(172,529)
<b>Balance at 30 June 2020</b>		<b>768,330</b>	<b>836,222</b>	<b>1,604,552</b>

Note the above balance does not include the Sydney Harbour Tunnel finance lease. This is due to AASB 16 paragraph Aus3.1, which excludes the application of AASB 16 *Leases* on service concession assets that will be recognised under AASB 1059 *Service Concession Arrangements: Grantors*. Refer to Note 14(viii)



**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**15. Leases (cont'd)**

**(a) Transport for NSW as a lessee (cont'd)**

**Lease liabilities**

The following table presents liabilities under leases, including leases in respect of investment properties.

	<b>Note</b>	<b>2020 \$'000</b>
<b>Balance at 1 July 2019</b>		-
Reclassification from finance leased buses	14	870,739
Recognition of lease liability on initial application of AASB16	1(h)(i)	217,095
<b>Adjusted net carrying amount at beginning of year</b>		<b>1,087,834</b>
Additions		747,756
Net increase in liabilities from administrative restructure		193,684
Interest expenses		61,063
Payments		(245,488)
Re-measurement of leases		1,159
<b>Balance at 30 June 2020</b>		<b>1,846,008</b>

The above table includes leases that are subject to AASB 16 *Leases* and does not include leases that are subject to AASB 1059 *Service Concession Arrangements: Grantors* from 1 July 2020. Refer to 14(viii)

The following amounts were recognised in the 2020 Statement of comprehensive income in respect leases where Transport for NSW is the lessee:

	<b>2020 \$'000</b>
Depreciation expense of right of use assets	172,529
Interest expense on lease liabilities	61,063
Expense relating to short-term leases	19,988
Expense relating to leases of low-value assets	5,257
<b>Total amount recognised in the Statement of comprehensive income</b>	<b>258,837</b>

Transport for NSW had total cash outflows for leases of \$269.9 million in 2020.

**Comparative information under AASB 117 Leases**

**As at 30 June 2019**

Future minimum lease payments under non-cancellable leases as at **30 June 2019** are as follows:

	<b>Operating leases \$'000</b>	<b>Finance leases \$'000</b>
Within one year	88,902	179,145
Later than one year and not later than five years	207,477	623,324
Later than five years	10,963	405,612
<b>Total including GST</b>	<b>307,342</b>	<b>1,208,081</b>
Less GST recoverable from the Australian Taxation Office	(27,940)	(109,826)
<b>Total excluding GST</b>	<b>279,402</b>	<b>1,098,255</b>

## 15. Leases (cont'd)

### (a) Transport for NSW as a lessee (cont'd)

The reconciliation between the total future minimum lease payments for finance leases and their present value as at 30 June 2019 are, as follows

	2019 \$'000
Within one year	179,145
Later than one year and not later than five years	623,324
Later than five years	405,612
<b>Total minimum lease payments</b>	<b>1,208,081</b>
Less: future finance charges	(337,342)
<b>Present value of minimum lease payments</b>	<b>870,739</b>

### Leases at significantly below-market terms and conditions principally to enable Transport for NSW to further its objectives

Transport for NSW entered into a 98-year lease with Infrastructure NSW to accommodate amenities and infrastructure required to operate the Barangaroo Ferry Hub. The leased premises must only be used for this purpose. The lease contract specifies a lease payment of \$1. This lease accounts for a small portion of assets owned by Transport for NSW for similar purposes. Therefore, it does not have a significant impact on the Transport for NSW's operations.

The initial and subsequent measurement of right of use assets under leases at significantly below-market terms and conditions that are entered into principally to enable the entity to further its objectives is same as normal right of use assets. They are measured at cost, subject to impairment.

### Recognition and measurement (under AASB 16 from 1 July 2019)

Transport for NSW assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Transport for NSW recognises lease liabilities to make lease payments and right of use assets representing the right to use the underlying assets, except for short-term leases and leases of low-value assets.

### Right of use assets

Transport for NSW recognises right of use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right of use assets are initially measured at the amount of initial measurement of the lease liability (refer ii below), adjusted by any lease payments made at or before the commencement date and lease incentives, any initial direct costs incurred, and estimated costs of dismantling and removing the asset or restoring the site.

Right of use assets are depreciated on a straight-line basis, apart from buses which are depreciated on a diminishing value method. Leases are depreciated over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Land and buildings 1 to 74 years
- Plant and equipment 1 to 25 years

If ownership of the leased asset transfers to the entity at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

## 15. Leases (cont'd)

### (a) Transport for NSW as a lessee (cont'd)

#### Recognition and measurement (under AASB 16 from 1 July 2019) (cont'd)

The right of use assets are also subject to impairment. Transport for NSW assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, Transport for NSW estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. After an impairment loss has been recognised, it is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the net result.

#### Impairment losses for right of use assets

The COVID-19 outbreak occurring throughout the 2020 financial year had an unprecedented effect on the NSW and global economies. COVID-19 has significantly impacted the market rent for office accommodation, and therefore the value of some right of use assets in the Statement of Financial Position.

Transport for NSW has therefore undertaken an impairment assessment for the above right of use assets, to determine whether the carrying amount exceeded their recoverable amount. Impacted right of use assets were written down to their recoverable amounts by reference to the right of use asset's fair value less costs of disposal and an impairment loss is recognised.

Transport for NSW recognised impairment losses for right of use assets during the 2020 financial year of \$71.6 million, which is determined to its fair value less costs of disposal. Impairment losses for right of use assets are included in Note 5 Other gains / (losses) within the Statement of Comprehensive Income. The valuation technique used in the fair value measurement is classified as level 3 according to the fair value hierarchy within AASB 13 Fair Value Measurement.

The recoverable amounts determined with reference to right of use assets' fair value less costs of disposal were computed using the valuation techniques detailed in the following table.

Asset Description	Valuation Technique	Key Assumptions	Fair Value Hierarchy of fair value less cost of disposal assessment
Right of use asset – land and buildings	Current replacement cost (CRC) approach – assets are valued based on the net replacement cost of a new equivalent asset with the same geographical market and remaining lease term. The net replacement costs were calculated based on the market rent forecasts from JLL Real Estate Intelligence Services (REIS), or Property NSW's historical rent data for regional markets at the valuation date, where the market rent forecast as at 30 June 2019 was the base year.	<ul style="list-style-type: none"> <li>- Right of use assets are stated at fair value at the time of initial recognition or lease commencement date.</li> <li>- Cost of disposals is immaterial.</li> <li>- The rent profile (fixed percentage, market rent review, consumer price index (CPI) or combination) at the lease commencement date represents future market rent forecasts.</li> <li>- Regional market rents are linked with CPI.</li> </ul>	Level 3

## 15. Leases (cont'd)

### (a) Transport for NSW as a lessee (cont'd)

#### Impairment losses for right of use assets (cont'd)

The recoverable amounts of the right-of-use assets for which an impairment loss has been recognised (or reversed) during the financial year, and the level of fair value hierarchy for the right-of-use assets for which the recoverable amounts are determined with reference to their fair value less costs of disposal are:

Recoverable amount	Land and Buildings \$'000	Total \$'000
Fair value less costs of disposal:		
Level 1	-	-
Level 2	-	-
Level 3	768,330	768,330
<b>Total</b>	<b>768,330</b>	<b>768,330</b>

The discount rate ranges employed in present value technique computations of recoverable amounts is summarised in the below table.

Recoverable amount	Current measurement discount rates	Previous measurement discount rates
Fair value less cost of disposal – discounted cash flow technique	Internal borrowing rates at the valuation date.	Internal borrowing rates as at 1 July 2019 for any leases recognised upon transition to AASB 16 Leases, or at the lease commencement date if the lease commenced after 1 July 2019.

#### Lease liabilities

At the commencement date of the lease, Transport for NSW recognises lease liabilities measured at the present value of lease payments to be made over the lease term. Lease payments include:

- fixed payments (including in substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- exercise price of a purchase options reasonably certain to be exercised by the entity; and
- payments of penalties for terminating the lease, if the lease term reflects the entity exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the entity's leases, the lessee's incremental borrowing rate is used, being the rate that the entity would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar Transport for NSW, security and conditions.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Transport for NSW's lease liabilities are included in borrowings.

## **15. Leases (cont'd)**

### **(a) Transport for NSW as a lessee (cont'd)**

#### **Short-term leases and leases of low-value assets**

Transport for NSW applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

#### **Recognition and measurement (under AASB 117 until 30 June 2019)**

Until 30 June 2019, a lease was classified at the inception date as a finance lease or an operating lease. A lease that transferred substantially all the risks and rewards incidental to ownership to the entity was classified as a finance lease.

Finance lease liabilities were recognised in accordance with AASB117 *Leases*. Minimum lease payments made under finance leases were apportioned between the interest expense and the reduction of the outstanding liability. The finance expense was 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.

An operating lease is a lease other than a finance lease. Operating lease payments were recognised as an operating expense in the statement of comprehensive income on a straight-line basis over the lease term

## 15. Leases (cont'd)

### (b) Entity as a lessor

Transport for NSW holds properties that are leased to tenants under operating leases with rental payable monthly. Lease payments for some contracts include CPI increases, but there are no other variable lease payments that depend on an index or rate.

Although Transport for NSW is exposed to changes in the residual value at the end of current leases, Transport for NSW typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

Future minimum rental receivable (undiscounted) under non-cancellable operating leases are as follows:

	2020 \$'000	2019 \$'000
Within one year	58,077	927
Later than one year and not later than five years	-	1,999
One to two years	52,900	-
Two to three years	51,687	-
Three to four years	47,686	-
Four to five years	41,182	-
Later than five years	490,615	1,582
<b>Total (including GST)</b>	<b>742,147</b>	<b>4,508</b>

The total commitments detailed above include GST amount of \$57.1 million (2019: \$0.4 million) that are expected to be payable to the Australian Taxation Office (ATO).

### Recognition and measurement - lessor for operating leases

An operating lease is a lease other than a finance lease. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of comprehensive income due to its operating nature

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the underlying asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**16. Intangible assets**

**(a) Intangible private sector provided infrastructure**

	Notes	2020 \$'000	2019 \$'000
<b>M2 Motorway/M2 Widening</b>	Carrying amount at start of year	-	-
	Transfer in as result of administrative restructure	329,102	-
	Annual increment - emerging right to receive	22,930	-
<b>Carrying amount at end of year</b>		<b>352,032</b>	<b>-</b>
<b>M4 Motorway/M4 Widening</b>	Carrying amount at start of year	-	-
	Transfer in as result of administrative restructure	16,225	-
	Annual increment - emerging right to receive	4,348	-
<b>Carrying amount at end of year</b>		<b>20,573</b>	<b>-</b>
<b>M4 Motorway/New M4</b>	Carrying amount at start of year	-	-
	Transfer in as result of administrative restructure	63,388	-
	Annual increment - emerging right to receive	95,041	-
<b>Carrying amount at end of year</b>		<b>158,429</b>	<b>-</b>
<b>M5 South-West Motorway</b>	Carrying amount at start of year	-	-
	Transfer in as result of administrative restructure	471,677	-
	Annual increment - emerging right to receive	32,886	-
<b>Carrying amount at end of year</b>		<b>504,563</b>	<b>-</b>
<b>Eastern Distributor</b>	Carrying amount at start of year	-	-
	Transfer in as result of administrative restructure	223,543	-
	Annual increment - emerging right to receive	14,751	-
<b>Carrying amount at end of year</b>		<b>238,294</b>	<b>-</b>
<b>Cross City Tunnel</b>	Carrying amount at start of year	-	-
	Transfer in as result of administrative restructure	326,084	-
	Annual increment - emerging right to receive	20,011	-
<b>Carrying amount at end of year</b>		<b>346,095</b>	<b>-</b>
<b>Westlink M7 Motorway</b>	Carrying amount at start of year	-	-
	Transfer in as result of administrative restructure	677,007	-
	Annual increment - emerging right to receive	43,399	-
<b>Carrying amount at end of year</b>		<b>720,406</b>	<b>-</b>
<b>Lane Cove Tunnel</b>	Carrying amount at start of year	-	-
	Transfer in as result of administrative restructure	412,657	-
	Annual increment - emerging right to receive	26,697	-
<b>Carrying amount at end of year</b>		<b>439,354</b>	<b>-</b>
	Total carrying amount at the end of period	<b>2,779,746</b>	<b>-</b>
<b>Total</b>	<b>Carrying amount at start of year</b>	<b>-</b>	<b>-</b>
	Transfer in as result of administrative restructure	24(e) 2,519,683	-
	Annual increment - emerging right to receive	27 260,063	-
	<b>Carrying amount at end of year</b>	<b>2,779,746</b>	<b>-</b>

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**16. Intangible assets (cont'd)**

**(b) Other intangible assets**

	Notes	Computer systems \$'000	Computer systems work in progress \$'000	Biodiversity credits \$'000	Easements and other access rights \$'000	Total Intangibles \$'000
Cost (gross carrying amount)		1,027,836	438,873	68,648	58,817	1,594,174
Accumulated amortisation and impairment		(572,642)	-	-	(10,678)	(583,320)
<b>Net carrying amount at 30 June 2020</b>		<b>455,194</b>	<b>438,873</b>	<b>68,648</b>	<b>48,139</b>	<b>1,010,854</b>
Cost (gross carrying amount)		609,381	307,569	-	48,655	965,605
Accumulated amortisation and impairment		(241,305)	-	-	(7,505)	(248,810)
<b>Net carrying amount at 30 June 2019</b>		<b>368,076</b>	<b>307,569</b>	<b>-</b>	<b>41,150</b>	<b>716,795</b>



**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**16. Intangible assets (cont'd)**

**(b) Other intangible assets (cont'd)**

	Notes	Computer systems \$'000	Computer systems work in progress \$'000	Biodiversity credits \$'000	Easements and other access rights \$'000	Total Intangibles \$'000
Net carrying amount at start of year		368,076	307,569	-	41,150	716,795
Additions		6,075	179,474	2,106	-	187,655
Disposals	4	(100)	-	-	-	(100)
Asset transfer to/from Equity		26,139	-	-	-	26,139
Reclassification between intangible classes		63,965	(74,127)	-	10,162	-
Reclassifications (to)/from property, plant and equipment	14	45,750	(27,759)	-	-	17,991
Amortisation expense	2(d)	(158,931)	-	-	(3,173)	(162,104)
Retirements	22	-	-	(12,552)	-	(12,552)
Increase/(decrease) in net assets from administrative restructure	24(e)	104,220	53,716	79,094	-	237,030
<b>Net carrying amount at 30 June 2020</b>		<b>455,194</b>	<b>438,873</b>	<b>68,648</b>	<b>48,139</b>	<b>1,010,854</b>
Net carrying amount at start of year		310,715	586,700	-	43,948	941,363
Additions		22,317	105,516	-	-	127,833
Disposals	4	(353)	-	-	-	(353)
Reclassification between Intangible classes		90,482	(90,482)	-	-	-
Reclassifications (to)/from property, plant and equipment	14	56,071	(294,165)	-	-	(238,094)
Amortisation expense	2(d)	(111,156)	-	-	(2,798)	(113,954)
<b>Net carrying amount at 30 June 2019</b>		<b>368,076</b>	<b>307,569</b>	<b>-</b>	<b>41,150</b>	<b>716,795</b>

## **16. Intangible assets (cont'd)**

### **Recognition and measurement**

#### **Intangible private sector provided infrastructure (PSPI)**

In respect of certain intangible private sector provided infrastructure assets: M2 Motorway, M4 Service Centre, M5 South-West Motorway, the Eastern Distributor, the Cross City Tunnel, the Westlink M7 Motorway, the Lane Cove Tunnel and the M4 Widening of the WestConnex Stage 1A, Transport for NSW values each right to receive asset by reference to Transport for NSW's emerging share of the written down replacement cost of each asset apportioned using an annuity approach. Under this approach, the ultimate value of the right to receive the property is treated as the compound value of an annuity that accumulates as a series of equal annual receipts together with an amount representing notional compound interest (refer note 3(i)).

Transport for NSW initially accounts for any up-front contribution to the private sector operator for the construction of the PSPI as prepayment, and then progressively expenses it over the concession period.

#### **M2 Motorway**

The former RMS entered into a contract with the concession holder to design, construct, operate and maintain the M2 Motorway. Under terms of the initial Project Deed, ownership of the M2 Motorway will revert to Transport for NSW 45 years from the M2 commencement date of 26 May 1997. The M2 Motorway was upgraded in 2013, at an initial construction cost of \$550 million. This further extended the service concession period by a further four years.

An agreement was reached on 31 January 2015 for integration works on the M2 Motorway to connect it with the new NorthConnex Motorway. These works were completed in May 2018 and extended the concession term by a further two years to 30 June 2048, resulting in the term of agreement to 51 years. Under the revised concession terms, the agreement now ends on the 51st anniversary of the M2 commencement date or sooner if a certain rate of return is achieved, subject to the provisions of the M2 Motorway Project Deed.

Transport for NSW leases land, detailed in the M2 Motorway Project Deed, for the term of the Agreement. Until the project achieves the required rate of return, rent is payable in cash or by promissory note at the lessee's discretion. On achievement of the required rate, the rent is payable in cash. Under the terms of the lease, Transport for NSW 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.

No payments have been made for rents on the leases in 2020 (2019: no payments made). Transport for NSW, as at 30 June 2020, has received promissory notes for rent on the above leases totalling \$228.5 million (2019: \$216.3 million). The value of these promissory notes as at 30 June 2020 is \$38.4 million (2019: nil) (Refer to Note 13).

The total carrying value of the M2 Motorway emerging asset, including the M2 Upgrade, is \$352.0 million as at 30 June 2020 (2019: nil).

#### **M5 South-West Motorway**

The former 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. The initial period was subsequently extended to 22 August 2023, in consideration of the concession holder undertaking construction of an additional interchange at Moorebank (M5 Improvements).

## **16. Intangible assets (cont'd)**

### **Recognition and measurement (cont'd)**

#### **Intangible private sector provided infrastructure (PSPI) (cont'd)**

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, Transport for NSW determines that the expected financial return has been achieved, Transport for NSW 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. Transport for NSW has recognised an additional emerging asset for the M5 expansion to the end of the concession period, i.e. to 10 December 2026.

The project deed was amended in 2018 to include east facing ramps on the M5 motorway intersecting Belmore Road as part of the service concession. These ramps were constructed by the former RMS but will be operated and maintained by the concession holder. The ramps were opened to traffic in February 2019.

The total carrying value of the M5 South-West Motorway emerging asset, including the M5 widening and Belmore Road ramps is \$504.6 million as at 30 June 2020 (2019: nil).

#### **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 the former 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 \$345 million by way of promissory notes (being \$15.0 million on financial close and \$15.0 million on each anniversary thereon). 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 concession holder must not present any of the promissory notes for payment until the earlier of the end of the term of agreement of 24 July 2048 or the achievement of the required rate of return. As at 30 June 2020, the promissory notes have a value of \$25.2 million (2019: nil) (refer note 13).

Under the terms of the Project Deed, the term of the Eastern Distributor is 48 years from the Eastern Distributor Commencement Date on 23 July 2000. The conservative period of 48 years has been used to calculate Transport for NSW's emerging share of the asset. The total carrying value of the Eastern Distributor emerging asset is \$238.3 million as at 30 June 2020 (2019: nil)

#### **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 Transport for NSW.

## **16. Intangible assets (cont'd)**

### **Recognition and measurement (cont'd)**

#### **Intangible private sector provided infrastructure (PSPI) (cont'd)**

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

The total carrying value of the Cross City Tunnel emerging asset is \$346.1 million as at 30 June 2020 (2019: nil).

#### **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. 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 Transport for NSW.

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

The total carrying value of the Westlink M7 Motorway emerging asset is \$720.4 million as at 30 June 2020 (2019: nil).

At the time of the modification to the contract for the NorthConnex the former 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 23). The concession receivable was subsequently monetised in October 2015 in which the former RMS received \$174.2 million proceeds.

#### **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. 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 Transport for NSW.

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

The total carrying value of the Lane Cove Tunnel emerging asset is \$439.4 million as at 30 June 2020 (2019: nil).

#### **NorthConnex**

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

## **16. Intangible assets (cont'd)**

### **Recognition and measurement (cont'd)**

#### **Intangible private sector provided infrastructure (PSPI) (cont'd)**

The motorway is estimated to cost approximately \$3.0 billion to complete. Under the terms of the agreement, Transport for NSW will contribute \$996.7 million in cash towards the construction, construction management and property acquisition costs, and the balance will be financed by the concession holder.

On completion of construction, which is expected to be in 2020, 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 Transport for NSW. Up until the end of the concession period, Transport for NSW 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.

As at 30 June 2020, Transport for NSW has not recognised an emerging asset.

#### **WestConnex**

The WestConnex project comprises three stages including M4 Widening and M4 East Tunnel (New M4), construction of the new M5 Tunnel (including St Peters Interchange works and King Georges Road Intersection Upgrade works), and the M4-M5 link and Rozelle Interchange works

The WestConnex project comprises three stages:

- Stage 1: New M4 (Parramatta to Haberfield) comprising M4 Widening and New M4 Tunnels
- Stage 2: M8 (Beverly Hills to St Peters) comprising the M8 Tunnels and King Georges Road Interchange Upgrade
- Stage 3: M4-M5 Link (Haberfield to St Peters): comprising the M4-M5 Link Tunnels and Rozelle Interchange.

#### **Stage 1: M4 Widening and New M4**

The Stage 1 Project Deed was signed with the concession holder on 4 June 2015 to design, construct, operate maintain and toll part of the WestConnex motorway including M4 Widening (Stage 1A) and the New M4 Tunnels and associated surface works(Stage 1B).

Stage 1A was opened to traffic on 4 July 2017 and Stage 1B was opened to traffic on 13 July 2019. The Project Deed stipulates that the concession holder will operate the motorway until 2060, after which the motorway will be transferred back to Transport for NSW at no cost. Up until the end of the concession period, Transport for NSW will grant the concession holder the right to levy and retain tolls on the motorway. Under the Project Deed, Transport for NSW 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, Transport for NSW will only recognise the revenue when it has been determined that the actual tolling revenue collected has exceeded the threshold.

At 30 June 2020, the total carrying value of the M4 Widening (Stage 1A) emerging asset is \$20.6 million (2019: nil) and total carrying value of the New M4 (Stage 1B) emerging asset is \$158.4 million (2019: nil).

## **16. Intangible assets (cont'd)**

### **Recognition and measurement (cont'd)**

#### **Intangible private sector provided infrastructure (PSPI) (cont'd)**

##### **Stage 2: M8**

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, the former RMS granted the concession holders a right to design, construct, operate, maintain and collect tolls until 2060.

As part of the arrangement, Transport for NSW will grant Motorway Stratum Land Leases over New M5 Main Works and M5 East Lease when Stage 2 is open to traffic, and M5 West Lease from December 2026 to the termination date of 31 December 2060. Under the Stratum Land Lease, Transport for NSW 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, Transport for NSW will only recognise the revenue when it has been determined that the actual tolling revenue collected has exceeded the threshold. Stage 2 was opened to traffic on 5 July 2020.

As at 30 June 2020, Transport for NSW has not recognised an emerging asset.

##### **Stage 3: M4-M5 Link**

The Stage 3 Project Deed was signed with the concession holder on 12 June 2018 to:

- design, construct, operate and maintain the M4-M5 Link Tunnels; and
- operate and maintain the Rozelle Interchange.

On 14 December 2018, the former RMS entered into the Rozelle Interchange and Western Harbour Tunnel Enabling Works D&C Deed with the CPB Contractors and John Holland JV. The Rozelle Interchange will be transferred to the concession holder on the date of opening completion.

Transport for NSW will grant the Trustees the 'M4-M5 Link Leases' being:

- the 'Main Tunnel Lease' on the date of opening completion
- the 'Rozelle Interchange Lease' on the date the Rozelle Interchange is transferred to the concession holder.

The Project Deed stipulates that the concession holder will operate the M4-M5 Link until 31 December 2060, after which the motorway will be transferred to Transport for NSW at no cost. Up until the end of the concession period, Transport for NSW will grant the concession holder the right to levy and retain tolls on the motorway.

## 16. Intangible assets (cont'd)

### Other intangible assets

Intangible assets are recognised only if it is probable that future economic benefits will flow to Transport for NSW and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost which includes the purchase price and any costs directly attributable to preparing the asset for its intended use. Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition.

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

All research costs are expensed. Development costs are only capitalised when certain criteria are met in accordance with AASB 138 *Intangible Assets*.

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	Amortisation policy
Information technology system	Depreciated historical cost	Amortised using the straight-line method over the estimated useful life of between 2 and 18 years.
Easements and other access rights (including right of use of land and airspace acquired from third party land owners in relation to Sydney Light Rail)	Depreciated historical cost	Amortised using the straight-line method over the remaining period of the construction and operation phases of the project between 16 and 19 years.
Biodiversity credits	Cost less accumulated impairment losses where it is applicable.	Indefinite useful life and not amortised. Carrying amount is tested yearly for impairment.

## 17. Other assets

	2020 \$'000	2019 \$'000
Prepaid asset - light rail	-	1,057,028
<b>Other assets</b>	<b>-</b>	<b>1,057,028</b>

On 17 December 2014, Transport for NSW entered into a Public Private Partnership (PPP) with ALTRAC Light Rail Partnership for the construction of the Sydney Light Rail - CBD and South East Light Rail. The costs incurred prior to completion of the construction phase are recognised as a prepaid asset in accordance with NSW Treasury Policy TPP 06-8. As at 30 June 2020, Transport for NSW has capitalised the Sydney Light Rail as rail systems infrastructure (Note 14), following the First Passenger Service Stage 1 (Randwick to Circular Quay) opening to the public on 14 December 2019 and the First Passenger Service Stage 2 (Kingsford to Circular Quay) opening to the public on 3 April 2020.

## 18. Fair value measurement of non-financial assets

### Fair value measurement and hierarchy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability.

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, Transport for NSW categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

- Level 1 – quoted prices in active markets for identical assets / liabilities that Transport for NSW 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).



**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**18. Fair value measurement of non-financial assets (cont'd)**

Transport for NSW recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

**(a) Fair value hierarchy**

Fair value measurements recognised in the balance sheet are categorised into the following levels at 30 June 2020.

There were no transfers between level 1, 2 and 3 for recurring and non-recurring fair value measurements during the year.

2020	Notes	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total Fair Value \$'000
<b>Property, plant and equipment</b>					
Land and buildings		-	3,465,791	461,780	3,927,571
<b>Land and buildings</b>		-	<b>3,465,791</b>	<b>461,780</b>	<b>3,927,571</b>
Rolling stock		-	-	704,737	704,737
Buses		-	-	347,740	347,740
Ferries		-	-	1,521	1,521
<b>Plant and equipment</b>		-	-	<b>1,053,998</b>	<b>1,053,998</b>
Road systems		-	-	86,596,091	86,596,091
Rail systems		-	-	2,021,680	2,021,680
Maritime systems		-	-	1,234,491	1,234,491
<b>Infrastructure systems</b>		-	-	<b>89,852,262</b>	<b>89,852,262</b>
<b>Non-current assets held for sale</b>		-	39,739	-	<b>39,739</b>
<b>Total</b>		-	<b>3,505,530</b>	<b>91,368,040</b>	<b>94,873,570</b>

The above property, plant and equipment exclude work in progress assets measured at cost as a surrogate for fair value.

Fair value measurements recognised in the balance sheet were categorised into the following levels at 30 June 2019.

2019	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total Fair Value \$'000
<b>Property, plant and equipment</b>				
Land and buildings	-	-	507,397	507,397
<b>Land and buildings</b>	-	-	<b>507,397</b>	<b>507,397</b>
Finance leased buses	-	-	700,845	700,845
Rolling stock	-	-	70,784	70,784
Buses	-	-	328,904	328,904
Ferries	-	-	844	844
<b>Plant and equipment</b>	-	-	<b>1,101,377</b>	<b>1,101,377</b>
Rail systems	-	-	4,681,859	4,681,859
Maritime systems	-	-	393	393
<b>Infrastructure systems</b>	-	-	<b>4,682,252</b>	<b>4,682,252</b>
<b>Non-current assets held for sale</b>		15,472	-	<b>15,472</b>
<b>Total</b>	-	<b>15,472</b>	<b>6,291,026</b>	<b>6,306,498</b>

The above property, plant and equipment exclude work in progress assets measured at cost as a surrogate for fair value.

## 18. Fair value measurement of non-financial assets (cont'd)

### (b) Valuation techniques, inputs and process

Valuation Technique	Valuation input
<b>Roads</b>	
<p>Current replacement cost of significant road asset components:</p> <ul style="list-style-type: none"> <li>Pavements <ul style="list-style-type: none"> <li>Asphalt</li> <li>Concrete</li> <li>Spray</li> </ul> </li> <li>Culverts</li> <li>Drainage <ul style="list-style-type: none"> <li>Longitudinal</li> <li>Subsoil</li> </ul> </li> <li>Safety Barriers</li> <li>Fences</li> <li>Retaining Walls</li> <li>Medians</li> <li>Rest Areas</li> <li>Noise Walls</li> <li>Other</li> </ul> <p>Assets are depreciated over estimated useful life depending on road component type (Note 14).</p> <p>Fair value is re-valued in interim periods between comprehensive revaluations by movements in the Australian Bureau of Statistics' Roads and Bridge Cost Index (RBCI).</p> <p>The determination of unit replacement rates for road valuations is carried out at least every 5 years by independent externally engaged qualified valuers.</p>	<p>Replacement cost per unit of road asset component.</p> <p>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.</p> <p>Components are depreciated over their estimated useful life depending on road component type or remaining useful life depending on road assets' condition as depicted by the pavement health index (PHI) or culvert risk ratings</p>
<b>Land under roads and tracks</b>	
<p>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).</p> <p>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 or tracks and other improvements. The Valuer-General's urban average rateable values by LGA are calculated by reference to land values only and do not include the value of any improvements.</p>	<p>Local Government Area rateable land values provided by the NSW Valuer-General.</p> <p>Measurements of land area in situ under roads.</p>

## 18. Fair value measurement of non-financial assets (cont'd)

### (b) Valuation techniques, inputs and process (cont'd)

Valuation Technique	Valuation input
<b>Bridges</b>	
<p>Current replacement cost for the following bridge types:</p> <ul style="list-style-type: none"> <li>Timber Structures</li> <li>Concrete structures</li> <li>Steel structures</li> <li>Bridge Trusses (timber and steel)</li> <li>Heritage Bridges</li> <li>Bridge size culverts/tunnels</li> </ul> <p>Bridge assets are depreciated over estimated useful depending on bridge type (Note 14).</p> <p>Cost/m<sup>2</sup> rates per bridge type are derived from current estimated bridge construction costs. Bridge asset fair value is determined by applying the replacement rate by type to bridge area.</p> <p>Fair value is re-valued in interim periods between comprehensive revaluations by movements in the RBCI.</p> <p>The determination of replacement rates for bridge valuations is carried out at least every 5 years by independent externally engaged qualified valuers.</p>	<p>Replacement cost per unit of bridge assets.</p> <p>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.</p> <p>Assets are depreciated over their remaining useful life depending on bridges' condition as depicted by the element condition data or estimated useful life depending on the bridge's capitalisation type.</p>
<b>Sydney Harbour Tunnel</b>	
<p>Depreciated replacement cost of major asset components:</p> <ul style="list-style-type: none"> <li>Immersed Tube</li> <li>Mechanical and Electrical</li> <li>Pavement</li> <li>Earthworks</li> </ul> <p>Assets are depreciated over estimated useful life depending on component type (Note 14).</p>	<p>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.</p> <p>Thereafter, the SHT has been revalued annually by the RBCI. The RBCI is applied to the replacement cost of the components, to ensure that carrying amounts are at fair value.</p> <p>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.</p> <p>Depreciation was applied over estimates of useful lives of those component types.</p>

## 18. Fair value measurement of non-financial assets (cont'd)

### (b) Valuation techniques, inputs and process (cont'd)

Valuation Technique	Valuation input
<b><i>Traffic Signals Network</i></b>	
<p>Current replacement cost major asset components:</p> <ul style="list-style-type: none"> <li>Lanterns</li> <li>Posts</li> <li>Loops</li> <li>Controller</li> <li>Civils</li> </ul> <p>Assets are depreciated over estimated useful life (Note 14).</p> <p>The determination of traffic signal unit replacement rates for valuations is carried out at least every 5 years by externally engaged qualified valuers.</p>	Current unit replacement costs.
<b><i>Traffic Control Network</i></b>	
<p>Depreciated replacement cost of major asset components:</p> <ul style="list-style-type: none"> <li>Enforcement Systems</li> <li>Traffic Monitoring Units</li> <li>Weather Stations</li> <li>Variable Speed Signs</li> <li>Variable Message Signs</li> <li>Tidal Flow Systems</li> <li>Over-Speed Detection Systems</li> <li>Over-Height Detection Systems</li> <li>Vehicle Detection Classification System</li> <li>Emergency Warning Systems</li> <li>Advanced Warning Systems</li> <li>Changeable Message Signs</li> <li>Weigh-In-Motion Systems</li> <li>Street Lights</li> <li>Emergency Phones</li> <li>School Zone Warning System</li> <li>Traffic Management Centre</li> </ul> <p>Assets are depreciated over estimated useful life depending on component type (Note 14).</p> <p>Fair value is re-valued in interim periods between comprehensive revaluations by movements in the RBCI.</p> <p>The determination of traffic control system unit replacement rates for valuations is carried out at least every 5 years by externally engaged qualified valuers.</p>	Current unit replacement costs.

## 18. Fair value measurement of non-financial assets (cont'd)

### (b) Valuation techniques, inputs and process (cont'd)

Valuation Technique	Valuation input
<b>Maritime Assets</b>	
<p>Current replacement cost for:</p> <ul style="list-style-type: none"> <li>Wharves and jetties <ul style="list-style-type: none"> <li>Pontoon</li> <li>Gangway</li> <li>Jetty</li> <li>Other</li> </ul> </li> <li>Dredging</li> <li>Seawall</li> <li>Maritime roads</li> <li>Aids to Navigation <ul style="list-style-type: none"> <li>Light</li> <li>Buoy</li> <li>Pylon</li> </ul> </li> </ul> <p>Assets are depreciated over estimated useful life depending on asset type (Note 14).</p> <p>Fair value is reassessed in interim periods between comprehensive revaluations by obtaining letter of assurances from the external valuers.</p> <p>The determination of asset replacement rates for valuations is carried out at least every 5 years by externally engaged valuers.</p> <p>Income Approach for:</p> <ul style="list-style-type: none"> <li>Moorings and wetlands</li> </ul> <p>Estimates of total revenue earned on long term mooring and wetland leases are capitalised at net present value.</p>	<p>Replacement cost per unit or asset component as specified.</p> <p>Cost per unit/component has been determined by reference to recent construction projects of similar assets.</p> <p>Estimated total lease revenue.</p>
<b>Rail Infrastructure</b>	
<p>Current replacement costs for the Pyrmont Light Rail network assets and the Inner West Light Rail extension network assets.</p> <p>Residual values, indexed historical costs and gross replacements costs were estimated by the external valuer and/or management taking into consideration the physical age of the assets, their physical condition, repair and maintenance records, allowance for obsolescence, residual value at the end of the asset's economic life, and construction project budget/forecast.</p> <p>Construction costs (excluding third party relocation costs) have been used for Newcastle Light Rail and Sydney Light Rail assets as they have been recently constructed.</p>	<p>Inputs include:</p> <ul style="list-style-type: none"> <li>• length of the tracks</li> <li>• overhead power and stabling yards</li> <li>• number of stops/stations</li> <li>• economic working lives of the assets</li> <li>• expired and remaining economic life,</li> <li>• depreciation methods</li> <li>• functional obsolescence</li> <li>• economic obsolescence</li> <li>• historic cost information</li> <li>• foreign exchange rates</li> </ul>

**18. Fair value measurement of non-financial assets (cont'd)**

**(b) Valuation techniques, inputs and process (cont'd)**

<b>Valuation Technique</b>	<b>Valuation input</b>
<b><i>Land and Buildings</i></b>	
Land and buildings measured at level 3 includes Bus Depot Land & Buildings, Station Buildings and Land at Corridor or under Rail.  Current replacement cost is determined by the external valuer and/or management. Construction costs incurred and expected useful life of the assets are determined and reviewed by management in accordance with applicable Australian Accounting Standards.	Inputs include acquisition costs, comparable property sales, land sizes, location, and land use.
<b><i>Plant and equipment</i></b>	
Plant and equipment at level 3 includes rolling stock related to rail infrastructure.  Current replacement cost for modern equivalent assets, expected useful life and remaining life of the assets are estimated and reviewed by management, based on inputs principally obtained from the manufacturer of the assets.	Inputs include: <ul style="list-style-type: none"> <li>• replacement cost for modern equivalent assets,</li> <li>• expected useful life and remaining life</li> <li>• inputs principally obtained from the manufacturer of the assets.</li> </ul>
<b><i>Buses</i></b>	
Optimised Replacement Cost (ORC) is the minimum that it would cost, in the normal course of business, to replace the existing asset with a technologically modern equivalent new asset with the same economic benefits, allowing for any differences in the quantity and quality of input and in operating costs.	Inputs include: <ul style="list-style-type: none"> <li>• cost prices for buses</li> <li>• inflation</li> <li>• foreign exchange rates</li> <li>• panel pricing</li> <li>• ABS published Producer Price Indexes</li> <li>• transport equipment and sheet-metal product manufacturing indexes</li> <li>• the number of buses being replaced at the one time</li> <li>• any inhibiting contractual obligations and/or penalty clauses contained in the contract to supply</li> <li>• the exact specification of the bus</li> <li>• the international price of steel and/or aluminium at the time of construction</li> <li>• the value of the Australian dollar at the time of construction in respect to the purchase of (predominantly) European chassis</li> <li>• the willingness of a supplier to 'buy' the contract</li> </ul>
<b><i>Ferries</i></b>	
Discounted replacement cost was estimated based on pricing provided by a leading Australian boat builder, and assuming a steel hull, aluminium superstructure.	Inputs include <ul style="list-style-type: none"> <li>• pricing provided by a leading Australian boat builder, and assuming a steel hull, aluminium superstructure</li> <li>• Sensibility check</li> <li>• Best measure remaining economic benefit</li> <li>• Expired and remaining economic life</li> </ul>

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**18. Fair value measurement of non-financial assets (cont'd)**

**(c) Reconciliation of level 3 fair value measurement**

	Land and buildings \$'000	Finance leased buses \$'000	Rolling stock \$'000	Buses \$'000	Ferries \$'000	Infrastructure systems \$'000	Total Level 3 Fair Value \$'000
<b>2020</b>							
Fair value as at 1 July 2019	507,397	700,845	70,784	328,904	844	4,682,252	6,291,026
Reclassification to right of use asset	-	(700,845)	-	-	-	-	(700,845)
Adjusted net carrying amount at beginning of year	507,397	-	70,784	328,904	844	4,682,252	5,590,181
Additions	25,110	-	376	66,922	-	2,013,518	2,105,926
Net revaluation increments less revaluation decrements recognised in equity	(1,422)	-	3,515	-	917	483,175	486,185
Net revaluation increment/(decrement) recognised in net result	-	-	-	-	-	(7,713)	(7,713)
Transfer (to)/from assets under construction	6,056	-	-	-	-	1,481,111	1,487,167
Assets transferred to/from non-current assets held for sale	(13,938)	-	-	-	-	-	(13,938)
Transfer (to)/ from other assets	(1,997)	-	-	-	-	(25,996)	(27,993)
Disposals	(6,168)	-	-	(2,190)	-	-	(8,358)
Depreciation expense	(6,918)	-	(14,239)	(43,235)	(240)	(888,254)	(952,886)
Asset transfer (to)/from equity	(255,179)	-	-	-	-	(4,402,381)	(4,657,560)
Transfer (to)/from other classes of property, plant and equipment	225,366	-	644,301	(2,661)	-	147,886	1,014,892
Net increase in assets from administrative restructure	-	-	-	-	-	87,005,306	87,005,306
Transfer (to)/from other Transport agencies	(15,221)	-	-	-	-	17,555	2,334
Asset write-off	-	-	-	-	-	(28,847)	(28,847)
Transfer (to)/from level 2	-	-	-	-	-	(1,744)	(1,744)
Transfer to councils, NSW government agencies & other parties	-	-	-	-	-	(354,944)	(354,944)
Assets recognised for the first time	-	-	-	-	-	83,235	83,235
Impairment losses	(1,306)	-	-	-	-	(352,212)	(353,518)
Transfer from councils	-	-	-	-	-	315	315
<b>Fair value as at 30 June 2020</b>	<b>461,780</b>	<b>-</b>	<b>704,737</b>	<b>347,740</b>	<b>1,521</b>	<b>89,852,262</b>	<b>91,368,040</b>

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**18. Fair value measurement of non-financial assets (cont'd)**

**(d) Reconciliation of level 3 fair value measurement (cont'd)**

	Land and buildings \$'000	Plant and equipment \$'000	Finance leased buses \$'000	Rolling stock \$'000	Buses \$'000	Ferries \$'000	Infrastructure systems \$'000	Total Level 3 Fair Value \$'000
<b>2019</b>								
Fair value as at 1 July 2019	207,198	116	891,958	29,460	47,826	1,120	4,588,289	5,765,967
Additions	7,981	-	158,780	11,443	36,348	-	99,127	313,679
Net revaluation increments less revaluation decrements recognised in equity	40	-	-	5,989	-	-	(5,233)	796
Disposals	-	(116)	-	-	(120)	-	(2,523)	(2,759)
Depreciation	(16,866)	-	(90,682)	(2,032)	(42,082)	(276)	(186,437)	(338,375)
Equity transfer	290,248	-	-	-	26,267	-	(48,439)	268,076
Transfer from other classes of property, plant and equipment	18,337	-	(259,211)	25,924	260,665	-	1,073	46,788
Transfer from assets under construction	459	-	-	-	-	-	236,395	236,854
<b>Fair value as at 30 June 2019</b>	<b>507,397</b>	<b>-</b>	<b>700,845</b>	<b>70,784</b>	<b>328,904</b>	<b>844</b>	<b>4,682,252</b>	<b>6,291,026</b>



## 19. Restricted assets

	2020 \$'000	2019 \$'000
Cash and cash equivalents	590,803	129,700
Financial assets at fair value	119,964	-
<b>Restricted assets</b>	<b>710,767</b>	<b>129,700</b>

### Cash and cash equivalents

Cash and cash equivalent assets include restricted cash of \$590.8 million (2019: \$129.7 million). This is made up of:

- \$358.0 million (2019: nil) held within Westpac Bank Accounts that are included in the Treasury Banking System in relation to funds administered on behalf of the Maritime Waterways fund. These funds are restricted to activity relating to maritime transactions and are covered by Section 42 of the *Ports and Maritime Administration Act 1995*.
- \$118.0 million (2019: \$115.6 million) has been quarantined specifically in relation to the Parking Space Levy (PSL). PSL funds can only be used for the purposes outlined in Section 11(3) of the Parking Space Levy Act 2009 and therefore are not available to fund the ongoing operations of Transport for NSW.
- \$66.0 million (2019: nil) are held within the Treasury Banking System relating to E-tag security deposits. 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. Transactions on this account are restricted to activity relating to E-Tag deposits.
- \$35.9 million (2019: nil) are held within the Treasury Banking System and relate to land acquisitions by the State. Transport for NSW is required to keep the money in a fund for the person entitled to compensation. Transactions on this account are restricted to activities relating to land acquisitions.
- \$12.9 million (2019: \$14.1 million) for Community Transport Groups. The Transport component of the Home and Community Care program is jointly funded by the NSW and Commonwealth governments. The program provides funding for the delivery of services to assist frail aged and younger people with disabilities, and their carers. These funds are required to be quarantined for specific use as defined by the terms and conditions for Home and Community Care Funding, including for the provisions of transport services by Community Transport Groups.

### Financial assets at fair value

Financial assets at fair value consist of \$120.0 million (2019: nil) held within TCorpIM Funds in NSW TCorp. These funds are administered on behalf of the Maritime Waterways fund and are restricted to activities relating to maritime transactions. The investments are controlled by Transport for NSW and are covered by Section 42 of the *Ports and Maritime Administration Act 1995*.

## 20. Payables

	2020 \$'000	2019 \$'000
<b>Current</b>		
Trade creditors	96,014	93,048
Accrued expenses	1,578,578	816,637
Creditors arising from compulsory acquisitions	38,014	-
Other creditors	33,053	1,064
Personnel service	204,651	97,809
<b>Current payables</b>	<b>1,950,310</b>	<b>1,008,558</b>

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

### Recognition and measurement

Payables represent liabilities for goods and services provided to Transport for NSW and other amounts. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

Payables are financial liabilities at amortised cost, recognised initially at fair value, net of directly attributable transaction costs. Subsequent measurement is at amortised cost using the effective interest method.

Subsequent to the commencement of the *Government Sector Employment Act 2013*, the Transport for NSW employees were transferred to Transport Service on 1 July 2015. Accordingly, employee related provisions are no longer recognised and instead disclosure reflects the personnel service payable to Transport Service.

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables, are disclosed in Note 31.

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2020

## 21. Borrowings

	2020 \$'000	2019 \$'000
<b>Current</b>		
Finance leases - buses	-	105,418
Finance leases - Sydney Harbour Tunnel	76,231	-
Lease liabilities	219,686	-
Financial liabilities	90,414	-
<b>Current borrowings</b>	<b>386,331</b>	<b>105,418</b>
<b>Non-current</b>		
Finance leases - buses	-	765,321
Finance leases - Sydney Harbour Tunnel	100,285	-
Lease liabilities	1,626,322	-
Financial liabilities	1,826,271	-
<b>Non-current borrowings</b>	<b>3,552,878</b>	<b>765,321</b>

### Repayment of borrowings

	2020 \$'000	2019 \$'000
Not later than one year	386,331	105,418
Later than one year and not later than five years	1,761,149	413,961
Later than five years	1,791,729	351,360
<b>Total Repayment of Borrowings</b>	<b>3,939,209</b>	<b>870,739</b>

### Recognition and measurement

The Sydney Harbour Tunnel finance lease liability is recognised in accordance with the former 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.

On 17 December 2014, Transport for NSW entered into a Public Private Partnership (PPP) with ALTRAC Light Rail Partnership for the construction of the Sydney Light Rail - CBD and South East Light Rail. Following the guidelines set out in NSW Treasury Policy Paper 06-8 "Accounting for Privately Financed Projects", the carrying amount of the financial liability has been calculated based on the present value of future payments. As at 30 June 2020, Transport for NSW has recognised the full carrying amount of the financial liability, following the First Passenger Service Stage 1 (Randwick to Circular Quay) opening to the public on 14 December 2019 and the First Passenger Service Stage 2 (Kingsford to Circular Quay) opening to the public on 3 April 2020.

Buses that were formerly recognised as finance lease buses were reclassified to lease liabilities on 1 July 2019 due to the introduction of AASB 16 Leases. Refer to Note 15 for further information.

## 21. Borrowings (cont'd)

### Financial guarantees

A financial guarantees 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.

Financial guarantees contracts are recognised as a financial liability at the time the guarantees are issued. The liability is initially measured at fair value, being the premium received. Subsequent to initial recognition, Transport for NSW's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation, and an expected credit loss provision.

Transport for NSW 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, Transport for NSW is required to lodge a security deposit in the form of bank guarantee. Under the *Government Sector Finance Act 2018*, Transport for NSW has an approved limit from TCorp of \$6.0 million to 30 June 2021.

Transport for NSW has reviewed its financial guarantees and determined that there is no material liability to be recognised for financial guarantee contracts as at 30 June 2020 and as at 30 June 2019. However, refer to Note 26 regarding disclosures on contingent liabilities.

### Changes in liabilities arising from financing activities

	TCorp borrowings \$'000	Financial liabilities \$'000	Finance leases - Sydney Harbour Tunnel \$'000	Leases \$'000	Total liabilities from financing activities \$'000
<b>1 July 2018</b>	365,141	-	-	1,213,267	1,578,408
Cash flows	-	-	-	(102,190)	(102,190)
Non-cash changes	(365,141)	-	-	(240,338)	(605,479)
<b>30 June 2019</b>	-	-	-	<b>870,739</b>	<b>870,739</b>
Recognised on adoption of AASB 16	-	-	-	217,095	217,095
<b>1 July 2019</b>	-	-	-	1,087,834	1,087,834
Cash flows	-	(15,429)	(40,591)	(184,425)	(240,445)
Additions during the year	-	1,937,302	-	747,756	2,685,058
Net increase in liabilities from administrative restructure	-	-	217,107	193,684	410,791
Re-measurement of leases	-	-	-	1,159	1,159
Other	-	(5,188)	-	-	(5,188)
<b>30 June 2020</b>	-	<b>1,916,685</b>	<b>176,516</b>	<b>1,846,008</b>	<b>3,939,209</b>

## 22. Provisions

	2020 \$'000	2019 \$'000
<b>Current</b>		
Land and buildings remediation	10,847	8,190
Lease make good costs	6,997	5,848
Other	67,546	-
<b>Current Provisions</b>	<b>85,390</b>	<b>14,038</b>
<b>Non-current provisions</b>		
Lease make good costs	26,112	9,000
Biodiversity	5,591	-
<b>Non-current provisions</b>	<b>31,703</b>	<b>9,000</b>

The make good leaseholds provision is calculated on all leased properties where Transport for NSW is the lessee and reflects an estimate of the cost to make good the premises to their original condition at the end of the lease term. If the effect of the time value of money is material, provisions are discounted at an average rate of 0.3% (2019: 1.4%). The level of the provision is reviewed at the end of each reporting period. Additional provisions recognised of \$5.2 million reflects new leases entered into during the year.

The provision for biodiversity represents the best estimate of the expenditure required to settle biodiversity credits arising from Transport for NSW's construction works as well as maintain the required level of biodiversity on Transport for NSW land.

Other provisions include compliance claims and other contractual obligations. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation including timing of the settlement.

### Recognition and measurement

Other provisions exist when Transport for NSW 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 Transport for NSW has a detailed formal plan and it has raised a valid expectation in those affected by 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. When discounting is used, the increase in the provision due to the passage of time (i.e. unwinding of discount rate) is recognised as a finance cost.

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 the provision.

## 22. Provisions (cont'd)

### Movement in provisions

	Note	Land and buildings remediation \$'000	Lease make good costs \$'000	Biodiversity \$'000	Other \$'000	Total \$'000
Carrying amount at the beginning of the financial year		8,190	14,848	-	-	23,038
Net increase/(decrease) from administrative restructure	24(e)	9,850	14,509	16,608	112,846	153,813
Additional provision recognised		150	5,645	1,535	20,000	27,330
Unused amounts reversed		(7,344)	(1,718)	-	-	(9,062)
Unwinding/change in the discount rate		-	(123)	-	-	(123)
Amounts used		-	(52)	(12,552)	(65,300)	(77,904)
<b>Carrying amount at the end of financial year</b>		<b>10,847</b>	<b>33,109</b>	<b>5,591</b>	<b>67,546</b>	<b>117,093</b>

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**23. Other liabilities**

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Statutory creditors	22,821	-
Unearned rent on M5 Motorway	513	-
Sydney Harbour Tunnel tax liabilities	4,631	-
Unearned revenue	-	1,887
Opal card holding accounts	224,372	204,732
Holding accounts - other	2,336	-
E-tag holding accounts	66,151	-
Deferred revenue - reimbursement on intangible private sector provided infrastructure	21,598	-
Priority list on moorings	547	-
Wetland security deposits <sup>1</sup>	1,513	-
Contribution from City of Sydney for light rail	178,900	178,900
Other	513	-
<b>Current other liabilities</b>	<b>523,895</b>	<b>385,519</b>
<b>Non-current</b>		
Unearned rent on M5 motorway	2,797	-
Sydney Harbour Tunnel tax liabilities	7,741	-
Unearned revenue	64,275	-
Deferred revenue - reimbursement on intangible private sector provided infrastructure	575,685	-
Security deposit	45	45
<b>Non-current other liabilities</b>	<b>650,543</b>	<b>45</b>

<sup>1</sup>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.

Refer to Note 3(vi) for a description of the entity's obligations under transfers received to acquire or construct non-financial assets to be controlled by the entity.

**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 Transport for NSW, 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.

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 intangible Private Sector Provided Infrastructure, \$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.

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**23. Other liabilities (cont'd)**

In addition, as a result of the signing of the NorthConnex agreement on 31 January 2015, Transport for NSW 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 16). Transport for NSW have recorded the present value of these future cash flows as deferred revenue; reimbursement of development costs of \$213.7 million (2019: nil) and the concession payments of \$275.7 million (2019: nil). Transport for NSW 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. Both promissory notes are redeemable in 2048 or earlier on achievement of the required rate of return. Transport for NSW have recorded the present value of these future cash flows of \$3.6 million (2019: nil) as deferred revenue and will amortise the liability over the concession period.

Westconnex Stage 1B was opened to traffic on 13 July 2019. Capital works valued at \$106.9 million constructed by the concession holder on Transport for NSW assets for integration purposes have been recognised as deferred revenue and will be amortised over the concession period.

The amortisation and deferred revenue balances are shown in the table below.

	2020 \$'000	2019 \$'000
Amortisation of deferred revenue in prior years transferred through administrative restructure	150,906	-
Amortisation of deferred revenue in current year	5,283	-
Unearned reimbursement as at year end	213,727	-
<b>Reimbursement of development costs for Lane Cove Tunnel, Cross City Tunnel and Western M7 Motorway</b>	<b>369,916</b>	<b>-</b>
Amortisation of deferred revenue in prior years transferred through administrative restructure	47,549	-
Amortisation of deferred revenue in current year	5,740	-
Unearned reimbursement as at year end	275,664	-
<b>Lane Cove Tunnel and M7 Motorway Concession Payments</b>	<b>328,953</b>	<b>-</b>
Amortisation of deferred revenue in prior years transferred through administrative restructure	3,013	-
Amortisation of deferred revenue in current year	75	-
Unearned reimbursement as at year end	3,603	-
<b>M2 and Eastern Distributor Promissory Notes</b>	<b>6,691</b>	<b>-</b>
Amortisation of deferred revenue in prior years transferred through administrative restructure	1,073	-
Amortisation of deferred revenue in current year	1,502	-
Unearned reimbursement as at year end	104,289	-
<b>Westconnex 1B contribution</b>	<b>106,864</b>	<b>-</b>
<b>Total unearned reimbursement as at year end</b>	<b>597,283</b>	<b>-</b>
<b>Classified as:</b>		
Current	21,598	-
Non-current	575,685	-
<b>Total amortisation and deferred revenue movement</b>	<b>597,283</b>	<b>-</b>



## 24. Equity and reserves

### (a) Asset revaluation reserve

The asset revaluation surplus is used to record increments and decrements on the revaluation of non-current assets. This accords with Transport for NSW's policy on the revaluation of property, plant and equipment as discussed in Note 14(v).

### (b) Hedge reserve

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and is accumulated in the hedge reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line as the recognised hedged item.

### (c) Accumulated funds

Accumulated funds includes all current and prior period retained funds.

### (d) Equity transfers

	Note	2020 \$'000	2019 \$'000
<b>Equity Transfers</b>			
Assets under construction transferred to RailCorp		-	(1,208)
Assets under construction transferred from RailCorp		-	6,200
Borrowings transferred to the Crown Finance Entity		-	571,012
Property, plant and equipment transferred from Sydney Metro	14	21,496	-
Intangibles transferred from Sydney Metro	16	26,139	-
Cash transferred to RailCorp		(4,809)	-
Accrued liability transferred to RailCorp		4,809	-
Property, plant and equipment transferred to RailCorp	14	(4,720,212)	-
Receivable transferred to RailCorp		(2,125)	-
<b>Equity Transfers</b>		<b>(4,674,702)</b>	<b>576,004</b>

### 2019

The Secretary directed Transport for NSW to transfer to RailCorp, in accordance with TPP 09-3 '*Contributions by owners made to wholly-owned Public Sector Entities*', certain assets, rights and liabilities relating to the Millthorpe Railway Station together with land and improvements at Millthorpe (\$1.2 million). This has been accounted for as an adjustment to equity effective 18 February 2019.

The Treasurer approved the transfer of TCorp borrowings (\$571.0 million) from Transport for NSW to the Crown Finance Entity on 26 June 2019.

The Secretary directed RailCorp to transfer to Transport for NSW, in accordance with TPP 09-3 '*Contributions by owners made to wholly-owned Public Sector Entities*' of former heavy rail corridor land at Newcastle, in connection with the Newcastle Light Rail project (\$6.2 million), which has been accounted for as an adjustment to equity effective 7 November 2018.

## **24. Equity and reserves (cont'd)**

### **(d) Equity transfers (cont'd)**

#### **2020**

On 1 July 2019, the Minister for Transport and Roads approved the transfer of certain assets and liabilities relating to the Country Regional Network (net \$4.5 billion), including assets and assets under construction, from Transport for NSW to RailCorp, effective 1 July 2019.

On 31 March 2020, the Transport Secretary approved the transfer of certain assets relating to the Wickham Transport Interchange Project (net \$195.6 million) from Transport for NSW to RailCorp, effective 31 March 2020.

On 30 June 2020, the Transport Secretary approved the transfer of Electronic Ticketing Systems, Wayfinding and Data Exchange assets for Sydney Metro Northwest (net \$47.6 million) from Sydney Metro to Transport for NSW, effective 30 June 2020.

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**24. Equity and reserves (cont'd)**

**(e) Administrative restructure**

Net assets and liabilities transferred to and (from) Transport for NSW were as follows:

	<b>Roads and Maritime Services 2020 \$'000</b>	<b>State Transit Authority 2019 \$'000</b>	<b>Sydney Metro 2019 \$'000</b>	<b>Total 2019 \$'000</b>
<b>ASSETS</b>				
Cash and cash equivalents	866,443	35,655	-	35,655
Receivables	541,619	399,118	(308,737)	90,381
Financial assets at fair value	124,202	-	-	-
Inventories	5,225	-	-	-
Non-current assets held for sale	18,544	-	-	-
<b>Total current assets</b>	<b>1,556,033</b>	<b>434,773</b>	<b>(308,737)</b>	<b>126,036</b>
Receivables	2,335,784	-	-	-
Other financial assets	244,415	-	-	-
Property plant & equipment				
Land and buildings	3,461,304	298,456	(7,000)	291,456
Plant and equipment	107,250	27,351	-	27,351
Infrastructure systems	98,283,468	-	(4,348,632)	(4,348,632)
Right of use assets	194,182			
Intangible private sector provided infrastructure	2,519,683	-	-	-
Other intangible assets	237,030	-	-	-
Other assets	-	-	(2,137,461)	(2,137,461)
<b>Total non-current assets</b>	<b>107,383,116</b>	<b>325,807</b>	<b>(6,493,093)</b>	<b>(6,167,286)</b>
<b>Total assets</b>	<b>108,939,149</b>	<b>760,580</b>	<b>(6,801,830)</b>	<b>(6,041,250)</b>
<b>LIABILITIES</b>				
Payables	1,056,826	28,381	(398,046)	(369,665)
Borrowings	118,847	-	-	-
Other provisions	134,398	1,024	-	1,024
Other liabilities	265,773	-	-	-
<b>Total current liabilities</b>	<b>1,575,844</b>	<b>29,405</b>	<b>(398,046)</b>	<b>(368,641)</b>
Payables	5,349	-	-	-
Borrowings	291,945	175,878	(1,505)	174,373
Other provisions	19,415	-	-	-
Other liabilities	727,771	-	(74,694)	(74,694)
<b>Total non-current liabilities</b>	<b>1,044,480</b>	<b>175,878</b>	<b>(76,199)</b>	<b>99,679</b>
<b>Total liabilities</b>	<b>2,620,324</b>	<b>205,283</b>	<b>(474,245)</b>	<b>(268,962)</b>
<b>Net assets</b>	<b>106,318,825</b>	<b>555,297</b>	<b>(6,327,585)</b>	<b>(5,772,288)</b>

## **24. Equity and reserves (cont'd)**

### **(e) Administrative restructure (cont'd)**

#### **2019**

On 1 July 2018 the Minister for Transport and Infrastructure approved the transfer of bus, land, buildings and other assets and liabilities (net \$555.3 million) from State Transit Authority (STA) to Transport for NSW relating to region 6 as well as the STA operated regions 7, 8, and 9, effective 1 July 2018. Assets related to region 6 are then leased from Transport for NSW to Transit Systems West, and assets related to regions 7, 8, and 9 are then leased from Transport for NSW to STA.

On 1 July 2018, Sydney Metro was constituted as a corporation under the *Transport Administration Amendment (Sydney Metro) Act 2018*. As a result of this, the Minister for Transport and Infrastructure approved the transfer of certain assets and liabilities (net \$6,327.6 million), including prepaid assets and assets under construction, from Transport for NSW to Sydney Metro, effective 1 July 2018.

#### **2020**

The Transport Administration Amendment (RMS Dissolution) Bill 2019 assented on 22 November 2019 dissolved Roads and Maritime Services on 1 December 2019. On dissolution, RMS' assets, rights, liabilities and functions were transferred to Transport for NSW to be used, recovered or settled in the normal course of business by the transferee.

## 24. Equity and reserves (cont'd)

### (e) Administrative restructure (cont'd)

Details of the comparative Statement of comprehensive income of the former Roads and Maritime Services is included below:

	<b>Transfer in Roads and Maritime Services</b>		
	<b>5 month actual to 30 November 2019</b>	<b>12 month actual to 30 June 2020</b>	<b>12 month actual to 30 June 2019</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Expenses excluding losses</b>			
Operating expenses			
Personnel service expenses	214,858	499,525	486,347
Other operating expenses	574,902	1,403,503	1,406,236
Depreciation and amortisation	636,681	1,547,210	1,526,610
Grants and subsidies	164,794	722,276	528,172
Finance costs	8,507	19,969	21,388
Other expenses	210	348	313
<b>Total expenses excluding losses</b>	<b>1,599,952</b>	<b>4,192,831</b>	<b>3,969,066</b>
<b>Revenue</b>			
Sales of goods and services	298,866	677,624	689,785
Investment revenue	14,929	20,035	36,224
Retained taxes, fees and fines	29,169	71,678	71,601
Grants and contributions	3,356,786	8,187,013	7,925,874
Resources received free of charge	24,934	43,854	59,314
Other revenue	190,848	518,018	304,661
<b>Total revenue</b>	<b>3,915,532</b>	<b>9,518,222</b>	<b>9,087,459</b>
Gain/(loss) on disposal of property, plant and equipment	(398)	(2,670)	(1,662)
Impairment gain/(loss) on financial assets	(3,831)	(6,659)	(490)
Other gains/(losses)	(170,924)	(387,443)	(637,306)
<b>Net result</b>	<b>2,140,427</b>	<b>4,928,619</b>	<b>4,478,935</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to net result:</i>			
Net gains/(losses) in commodity swaps and foreign exchange	33	-	-
<i>Items that will not be reclassified to net result:</i>			
Net increase/(decrease) in asset revaluation surplus	2,033,175	2,493,482	3,504,879
<b>Total other comprehensive income for the year</b>	<b>2,033,208</b>	<b>2,493,482</b>	<b>3,504,879</b>
<b>Total comprehensive income for the year</b>	<b>4,173,635</b>	<b>7,422,101</b>	<b>7,983,814</b>

## 24. Equity and reserves (cont'd)

### Recognition and measurement

Equity transfers represent the transfer of net assets / liabilities between agencies as a result of an administrative restructure transfers of programs / functions and parts thereof between NSW public sector agencies and "equity appropriations". These equity transfers are designated or required by Accounting Standards to be treated as contributions by owners and recognised as an adjustment to "Accumulated funds". This treatment is consistent with NSW Treasury Policy and Guidelines Paper Accounting Policy: *Contribution by owners made to wholly-owned public sector entities* (TPP 09-03), AASB 1004 *Contributions* and Australian Interpretation 1038 *Contributions by Owners made to Wholly-owned Public Sector Entities*.

Transfers arising from an administrative restructure involving not-for-profit and for-profit government entities are recognised at the amount at which the assets and liabilities were recognised by the transferor immediately prior to the restructure. Subject to below, 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, the agency recognises the asset at the transferor's carrying amount. Where the transferor is prohibited from recognising internally generated intangibles, the transferee agencies does not recognise that asset.

## 25. Commitments for expenditure

	2020 \$'000	2019 \$'000
<b>(a) Capital Commitments</b>		
Aggregate capital expenditure for the acquisition of property, plant and equipment contracted for at balance date and not provided for:		
Within one year	4,310,118	912,789
Later than one year and not later than five years	4,061,361	966,751
Later than five years	1,499	-
<b>Total (including GST)</b>	<b>8,372,978</b>	<b>1,879,540</b>

The total commitments detailed above include GST input tax credits of \$761.18 million (2019: \$170.87 million) that are expected to be recoverable from the ATO.

## **26. Contingent liabilities and contingent assets**

Transport for NSW has several contractual disputes with an estimated total contingent liability of \$398.5 million (June 2019: Nil). There are a number of other contractual claims that have arisen from the normal course of business. The amount of the liability that may arise from these claims cannot be measured reliably at this time. There is significant uncertainty as to whether a future liability will arise in respect to these items.

Transport for NSW also has a number of compulsory property acquisition matters under litigation where claims differ from the Valuer General's determined amount. These have an estimated contingent liability of \$1.0 billion (June 2019: \$0.5 million) and are net of Treasury Managed Fund (TMF) reimbursements.

A statement of claim was filed on 28 August 2018 in the Supreme Court of NSW alleging public and private nuisance as a result of the Sydney Light Rail Project. The proceedings have been brought as representative proceedings. The project specific insurers are managing the conduct of Transport for NSW's defence. It is not possible at this stage to estimate any potential financial effect in excess of the insurance coverage from these proceedings.

Transport for NSW 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.

Transport for NSW 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.

Transport for NSW provided a letter of comfort to the Office of Transport Safety Investigation (OTSI) to ensure the ongoing financial viability for a period of at least 12 months from the date that the 30 June 2020 Prime return for OTSI is submitted. Transport for NSW and NSW Treasury monitor the financial performance of OTSI on an ongoing basis as part of OTSI's reporting obligations to Government.

Transport for NSW has also made a number of claims with an estimated total contingent asset of \$4.4 million (June 2019: Nil).

Apart from the matters mentioned above, Transport for NSW does not have any other contingent liabilities or contingent assets that would significantly impact on the state of affairs of Transport for NSW or have a material effect on these financial statements.

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**27. Reconciliation of net cash flows from operating activities to net result**

	Notes	2020 \$'000	2019 \$'000
Net cash inflows/(outflows) from operating activities		5,197,967	1,844,966
Depreciation and amortisation	2(d)	(1,469,312)	(605,309)
M2 and Eastern Distributor Promissory Notes	3(c)	943	-
Right to receive on PSPI	3(i), 16(a)	260,063	-
Assets free of charge		17,556	-
Property, plant and equipment transferred from councils	14	315	-
Property, plant and equipment transferred to councils, NSW government agencies & other parties	14	(556,533)	-
Non-cash revenue and expenses		84,200	(132,805)
Net revaluation increment/(decrement) recognised in net result	14	(156,567)	-
(Decrease)/increase in receivables, inventories and other assets		(462,814)	(290,164)
(Increase)/decrease in payables and provisions		401,358	(196,092)
Impairment of assets		(425,075)	-
Assets written off	14	(53,437)	-
Net gain / (loss) on sale of assets held for sale	4	2,563	-
Net gain/(loss) on sale of property, plant and equipment	4	(15,078)	(2,060)
<b>Reconciliation to net result</b>		<b>2,826,149</b>	<b>618,536</b>

**28. Non-cash financing and investing activities**

	Notes	2020 \$'000	2019 \$'000
Lease liabilities in respect of acquisition of plant and equipment		(84,299)	(158,780)
Financial liabilities in respect of Sydney Light Rail	21	(1,916,685)	-
<b>Non-cash financing activities</b>		<b>(2,000,984)</b>	<b>(158,780)</b>
Plant and equipment acquired by lease		84,299	158,780
Assets recognised for the first time	3(i)	87,795	-
Assets written off	5, 14	(53,437)	-
M2 and Eastern Distributor promissory notes	3(c)	943	-
Net revaluation increment/(decrement) recognised in net result	14	(156,567)	-
Property, plant and equipment transferred from councils	14	315	-
Roads and bridges transferred to councils and other parties	2(e), 14	(556,533)	-
Capitalisation of Sydney Light Rail asset	21	1,916,685	-
Transfer from administrative restructure - others	24	106,318,825	(5,772,288)
Equity transfers	24	(4,674,702)	576,004
Resources received free of charge	3(h)	44,296	35,062
<b>Non-cash investing activities</b>		<b>103,011,919</b>	<b>(5,002,442)</b>
<b>Non-cash financing and investing activities</b>		<b>101,010,935</b>	<b>(5,161,222)</b>



**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**29. Administered income and expenses**

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Transfer receipts</b>		
Taxes, fees and fines	392,567	7,507
Stamp duty	440,953	-
Motor vehicle weight tax and fines	1,315,879	-
Other	45,986	-
<b>Administered income</b>	<b>2,195,385</b>	<b>7,507</b>
<b>Administered expenses</b>		
Taxes, fees and fines	4,637	5,823
<b>Administered expenses</b>	<b>4,637</b>	<b>5,823</b>
<b>Total administered income and expenses</b>	<b>2,190,748</b>	<b>1,684</b>

**Recognition and Measurement**

Transport for NSW 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 Transport for NSW's revenue but are separately disclosed. Transport for NSW 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. Expenses incurred in collecting monies on behalf of the Crown Entity are recognised as Transport for NSW' expenses. The accrual basis of accounting and all applicable accounting standards have been adopted.

In 2019 the arrangement for collection of the regulatory fee in association with the National Heavy Vehicle Regulator changed. The entity now remits all Heavy Vehicle regulatory fees to the National Heavy Vehicle Regulator. \$26.91 million (2019: nil) has been recorded within other transfer receipts above.

**30. Administered assets and liabilities**

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash	44,068	229
<b>Administered assets</b>	<b>44,068</b>	<b>229</b>
Holding accounts (current liabilities – other)	44,068	229
Other <sup>1</sup>	272,383	-
<b>Administered liabilities</b>	<b>316,451</b>	<b>229</b>

<sup>1</sup> The amount of multiple licence fees issued in the current year is approximately \$92.36 million (2019: nil). 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.

**Recognition and Measurement**

Transport for NSW administers, but does not control, certain activities on behalf of the Crown Entity and the National Heavy Vehicle Regulator. It is accountable for the transactions relating to those administered activities but does not have discretion, for example, to deploy the resources for the achievement of Transport for NSW's own objectives.

Transactions and balances relating to the administered activities are not recognised as Transport for NSW' assets and liabilities, but are disclosed separately. The holding accounts and remitting account balances above represent fees collected by motor registries that have not been remitted to the third party they are being administered for (generally NSW Treasury and the National Heavy Vehicle Regulator).

### **31. Financial instruments**

Transport for NSW's principal financial instruments are outlined below. These financial instruments are required to finance Transport for NSW's operations and manage forecast cash flow exposures. Transport for NSW does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Transport for NSW main risks arising from financial instruments are outlined below, together with Transport for NSW's objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout these financial statements.

The Secretary has overall responsibility for the establishment and oversight of risk management and review, and determines policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the reporting entity, to set risk limits and controls and to monitor risks. Compliance with these policies is subject to review by the reporting entity on a continuous basis.

### 31. Financial instruments (cont'd)

#### (a) Financial instrument categories

Financial assets	Note	Category	Carrying amount	Carrying amount
			2020	2019
			\$'000	\$'000
<b>Class:</b>				
Cash and cash equivalents	7	N/A	1,643,257	841,657
Receivables <sup>1</sup>	8	Loans and receivables (measured at amortised cost)	378,762	219,073
Financial assets at fair value	11	Fair value through profit or loss designated upon initial recognition	119,970	9
Other financial assets	13	Amortised cost	256,027	1,205
			<b>2,398,016</b>	<b>1,061,944</b>
<b>Financial liabilities</b>				
<b>Class:</b>				
Payables <sup>3</sup>	20	Financial liabilities measured at amortised cost	1,950,310	1,008,558
Other liabilities	23	Financial liabilities measured at amortised cost	484,644	383,632
Borrowings	21	Financial liabilities measured at amortised cost	3,939,209	870,739
			<b>6,374,163</b>	<b>2,262,929</b>

During 2020, there were no defaults on any loans payable (2019: nil).

<sup>1</sup> Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7).

<sup>2</sup> While contract assets are also not financial assets, they are explicitly included in the scope of AASB 7 for the purpose of the credit risk disclosures.

<sup>3</sup> Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7).

The entity determines the classification of its financial assets and liabilities after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

#### (b) Derecognition of financial assets and financial liabilities

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire; or if Transport for NSW transfers its right to receive cash flows from the assets; or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either

- Transport for NSW has transferred substantially all the risks and rewards of the asset; or
- Transport for NSW has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control.

When Transport for NSW has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent it has retained the risks and rewards of ownership. Where Transport for NSW has neither transferred nor retained substantially all the risk and rewards or transferred control, the asset is recognised to the extent of Transport for NSW's continuing involvement in the asset. In that case, Transport for NSW also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the entity has retained.

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

### 31. Financial instruments (cont'd)

#### (c) Derivatives

Transport for NSW held \$0.01 million (2019: \$0.01 million) in derivative financial assets and nil (2019: nil) in derivative financial liabilities.

#### Foreign exchange risk management

Transport for NSW only uses derivatives for hedging purposes and not as trading or speculative instruments. Forward foreign exchange contracts are used to mitigate exchange rate exposure arising from firm commitments for the purchase of goods and services in foreign currency.

All forward currency contracts have been designated as hedging instruments in cash flow hedges in accordance with AASB 9 *Financial Instruments*. The gain or loss from remeasuring the hedging instruments at fair value is recognised in other comprehensive income and deferred in equity in the hedging reserve, to the extent that the hedge is effective. There was no hedge ineffectiveness in the current year.

The following table indicates the periods in which the cash flow associated with cash flow hedges are expected to occur and the carrying amounts of the related hedging instruments.

	Weighted average exchange rate	Contract value \$'000	Expected Cash Flows			Total \$'000
			Not later than 3 months \$'000	Later than 3 months and no later than 12 months \$'000	Later than 12 months \$'000	
<b>2020</b>						
Denominated in Euros	0.60	919	-	919	-	919
Denominated in USD	0.69	1,251	1,091	160	-	1,251
<b>Foreign exchange contracts</b>	<b>0.65</b>	<b>2,170</b>	<b>1,091</b>	<b>1,079</b>	<b>-</b>	<b>2,170</b>
<b>2019</b>						
Denominated in Euros	0.61	1,600	-	1,600	-	1,600
<b>Foreign exchange contracts</b>	<b>0.61</b>	<b>1,600</b>	<b>-</b>	<b>1,600</b>	<b>-</b>	<b>1,600</b>

Information about the exposure is provided: credit risk in Note 31(d), the methods and assumptions used in determining fair values of derivatives in Note 31(c).

### **31. Financial instruments (cont'd)**

#### **(c) Derivatives (cont'd)**

##### **Energy price risk management**

Transport for NSW is exposed to energy price risk associated with the purchase of energy to operate transport services.

It is Transport for NSW's policy to manage the energy price exposure arising from its energy load by entering into fixed price supply arrangements with retailers or to hedge forecast exposures on a portion of its energy load for periods up to 15 years.

#### **(d) Credit risk**

Credit risk arises when there is the possibility that the counterparty will default on their contractual obligations, resulting in a financial loss to the entity. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for credit losses or allowance for impairment).

Credit risk can arise from financial assets of the reporting entity, including cash, receivables, and authority deposit. Transport for NSW holds bank guarantees for significant customers as well as property bonds for some leased premises. Transport for NSW has not granted any financial guarantees and do not hold any collateral.

Credit risk associated with Transport for NSW's financial assets other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards. All debt management and investment activities are undertaken with TCorp, which is guaranteed by the NSW Government.

Transport for NSW considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, Transport for NSW may also consider a financial asset to be in default when internal or external information indicates that Transport for NSW is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the reporting entity.

##### **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 current Reserve Bank of Australia official cash rate.

##### **Derivatives**

Transport for NSW limits its exposure to credit risk by entering into derivative financial instruments only with approved counterparties that have an acceptable credit rating. Derivative counterparties are limited to high creditworthy organisations in the energy industry. Transport for NSW also utilises International Swaps and Derivative Association (ISDA) agreements with derivative counterparties in order to limit exposure to credit risk through the netting of amounts receivable from and amounts payable to individual counterparties.

### 31. Financial instruments (cont'd)

#### (d) Credit risk (cont'd)

##### Accounting policy for impairment of trade debtors and other financial assets

##### 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. The entity applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade debtors.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on historical observed loss rates. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade debtors are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others a failure to make contractual payment for a period of greater than 90 days past due. These changes on loss allowance for trade debtors as at 30 June 2019 and 1 July 2018 (on adoption of AASB 9) have not had a material impact on Transport for NSW receivables. Transport for NSW is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors.

The entity recognised provision for expected credit losses on its trade debtors in the amount of \$11.6 million at 30 June 2020 (2019: nil).

Trade Debtors	Current \$'000	<31 days \$'000	31-60 days \$'000	61-90 days \$'000	>91 days \$'000	Total \$'000
<b>30 June 2020</b>						
Expected credit loss rate	0.00%	2.81%	10.82%	0.32%	43.26%	
Estimated total gross carrying amount at default	10,557	12,226	3,529	50,412	24,743	101,467
Expected credit loss	-	343	382	161	10,705	11,591
<b>30 June 2019</b>						
Expected credit loss rate	-	-	-	-	-	
Estimated total gross carrying amount at default	-	-	-	-	-	-
Expected credit loss	-	-	-	-	-	-

The ageing analysis excludes statutory receivables as these are not within scope of AASB 7.

##### Other financial assets – Term Deposits

The entity has placed funds on term deposits with TCorp which has been rated 'AAA' by Standard and Poor's. These deposits are considered to be low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses.

### **31. Financial instruments (cont'd)**

#### **(e) Liquidity risk**

Liquidity risk is the risk that Transport for NSW will be unable to meet its payment obligations when they fall due. Transport for NSW 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 loans and other advances.

Transport for NSW has access to credit facilities with TCorp of nil (2019: nil) of which nil (2019: nil) had been used at reporting date.

During the current and prior year, there were no defaults of loans payable and no assets have been pledged as collateral. Transport for NSW's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW TC 11/12. For small business suppliers, where terms are not specified, payment is made not later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, 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 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.

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**31. Financial instruments (cont'd)**

**(e) Liquidity risk (cont'd)**

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

		Interest Rate Exposure				Maturity Dates		
	Weighted average effective Int. rate (%)	Nominal Amount \$'000	Fixed interest rate \$'000	Variable interest rate \$'000	Non-interest bearing \$'000	< 1 year \$'000	1 -5 years \$'000	> 5 years \$'000
<b>2020</b>								
<b>Payables</b>								
Trade creditors	-	96,014	-	-	96,014	96,014	-	-
Accrued expenses	-	1,578,578	-	-	1,578,578	1,578,578	-	-
Other creditors	-	71,067	-	-	71,067	71,067	-	-
Personnel services payable	-	204,651	-	-	204,651	204,651	-	-
Other liabilities	-	484,644	-	-	484,644	476,903	7,741	-
<b>Borrowings</b>								
Finance leases - Sydney Harbour Tunnel	7.70	193,069	193,069	-	-	87,386	105,683	-
Lease liabilities	2.98	2,390,292	1,131,130	1,259,162	-	320,589	956,723	1,112,980
Financial liabilities	9.71	3,263,939	3,263,939	-	-	205,397	1,347,302	1,711,240
<b>Derivative financial instruments</b>								
Foreign exchange contracts outflow	-	57	-	-	57	57	-	-
		<b>8,282,311</b>	<b>4,588,138</b>	<b>1,259,162</b>	<b>2,435,011</b>	<b>3,040,642</b>	<b>2,417,449</b>	<b>2,824,220</b>
<b>2019</b>								
<b>Payables</b>								
Trade creditors	-	93,048	-	-	93,048	93,048	-	-
Accrued expenses	-	816,634	-	-	816,634	816,634	-	-
Other creditors	-	1,064	-	-	1,064	1,064	-	-
Personnel services payable	-	97,809	-	-	97,809	97,809	-	-
Other liabilities	-	385,564	-	-	385,564	206,619	178,945	-
<b>Borrowings</b>								
Finance leases - buses	4.09	870,739	870,739	-	-	105,418	351,360	413,961
<b>Derivative financial instruments</b>								
Foreign exchange contracts outflow	-	-	-	-	-	-	-	-
		<b>2,264,858</b>	<b>870,739</b>	<b>-</b>	<b>1,394,119</b>	<b>1,320,592</b>	<b>530,305</b>	<b>413,961</b>



### 31. Financial instruments (cont'd)

#### (f) Market risk

Market risk relates to fluctuations in the fair value of future cash flows of financial instruments because of changes in market prices. Transport for NSW's exposure to market risk is primarily through interest rate risk on Transport for NSW's borrowings, foreign exchange risks associated with overseas purchase commitments and other price risks associated with the movement in the unit price of the TCorp Hour-Glass Investment Facility.

The effect on net result and equity due to a reasonable possible change in risk variable is outlined in the information provided below, for interest rate risk and other price risk including currency movements. A reasonable possible change in risk variable has been determined after taking into account the economic environment in which Transport for NSW 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 balance date. The analysis assumes that all other variables remain constant.

Transport for NSW does not enter into commodity contracts.

#### Interest rate risk

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

Transport for NSW's exposure to interest rate risk is set out in the table below:

	<b>2020</b>		<b>2019</b>	
	<b>\$'000</b>		<b>\$'000</b>	
	<b>-1%</b>	<b>+1%</b>	<b>-1%</b>	<b>+1%</b>
Net Result	(10,432)	10,432	(8,417)	8,417
Equity	(10,432)	10,432	(8,417)	8,417

### 31. Financial instruments (cont'd)

#### (f) Market risk (cont'd)

##### Foreign exchange risk

Exposure to foreign exchange risk arises primarily through the contractual commercial transactions denominated in a foreign currency. The risk is measured using sensitivity analysis and cash flow forecasting.

Transport for NSW manages its foreign exchange risk by entering into forward exchange contracts in accordance with the Transport for NSW risk management policies.

Foreign exchange risk related to the principal amount of overseas purchase commitments made, that are primarily denominated in Euros and US dollars, have been fully hedged using forward contracts that mature on the same dates as the forecast purchase are due for payment. These contracts are designated as cash flow hedges.

Transport for NSW's exposure to foreign exchange risk is set out in the table below, with all other variables being held constant. All underlying exposure and related hedges are taken into account. The impact on other comprehensive income is due to changes in the fair value of the financial instruments. The impact on equity is due to changes in the fair value of forward exchange contracts designated as cash flow hedge.

A sensitivity of 10% movement in the exchange rates has been selected for use in the sensitivity analysis at the reporting date, as this is considered reasonable, based on the current Australian dollar level and the historical volatility of the Australian dollar against other currencies. Based on the value of the Australian dollar at the reporting date as compared with the currencies below, adverse or favourable movements in the foreign exchange rates would result in an increase or decrease in the Australian dollar fair value respectively.

		-10%		+10%	
	Contract Amount \$'000	Net result \$'000	Equity \$'000	Net result \$'000	Equity \$'000
2020	Denominated in Euros	919	-	92	(92)
	Denominated in USD	1,251	203	-	(166)
	<b>Foreign exchange contracts</b>	<b>2,170</b>	<b>203</b>	<b>92</b>	<b>(166)</b>
2019	Denominated in Euros	1,600	-	160	(160)
	<b>Foreign Exchange Contracts</b>	<b>1,600</b>	<b>-</b>	<b>160</b>	<b>(160)</b>

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**31. Financial instruments (cont'd)**

**(g) Other price risk – TCorpIM Funds**

Exposure to 'Other Price Risk' primarily arises through the investment in the TCorpIM Funds, which are held for strategic rather than trading purposes. Transport for NSW has no direct equity investments and holds units in the following TCorpIM Funds Trusts:

Fund	Investments	Investment horizon	2020 \$'000	2019 \$'000
TCorpIM Medium Term Growth Fund	Cash, Australian shares, International shares, Listed property, Emerging market shares, Emerging markets debt, Bank loans, Inflation linked bonds, Fixed interest, Global Credit, High Yield, Multi-Asset	3 years to 7 years	38,198	-
TCorpIM Long Term Growth Fund	Cash, Australian shares, International shares, Listed property, Emerging market shares, Emerging markets debt, Bank loans, Fixed interest, Global Credit, High Yield, Multi-Asset	7 years and over	81,766	-

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 IM Funds facilities. A significant portion of the administration of the facilities is outsourced to an external custodian.

Investment in the TCorpIM Funds limits Transport for NSW's 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 TCorpIM Funds are measured at fair value through profit or loss and therefore any change in unit price impacts directly on net results. A reasonably possible change is based on the percentage change in unit price (as advised by TCorp) multiplied by the redemption value as at Transport for NSW each year for each facility (balance from TCorpIM Funds)

Facility	Change in unit price	Impact on net result/equity	
		2020 \$'000	2019 \$'000
TCorpIM Medium Term Growth Fund	+/- 6%	2,292	-
TCorpIM Long Term Growth Fund	+/- 13%	10,630	-

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**31. Financial instruments (cont'd)**

**(h) Fair value recognised in the Statement of financial position**

<b>2020</b>	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>
<b>Financial assets at fair value</b>				
Derivative financial instruments	-	6	-	6
TCorp IM funds	-	119,964	-	119,964
<b>Financial assets at fair value</b>	-	119,970	-	119,970
<b>Financial liabilities at fair value</b>				
Derivative financial instruments	-	57	-	57
<b>Financial liabilities at fair value</b>	-	57	-	57

<b>2019</b>	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>
<b>Financial assets at fair value</b>				
Derivative financial instruments	-	9	-	9
<b>Financial assets at fair value</b>	-	9	-	9
<b>Financial liabilities at fair value</b>				
Derivative financial instruments	-	-	-	-
<b>Financial liabilities at fair value</b>	-	-	-	-

Transport for NSW 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)

Transport for NSW has assessed the fair value of its foreign exchange derivatives on the basis of inputs other than quoted prices that are observed directly or indirectly (Level 2).

The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date.

The fair value of the energy derivative is determined as the present value of future contracted cash flows and credit adjustments. Cash flows are discounted using standard valuation techniques at applicable market yield having regard to timing of cash flows.

There were no transfers between Level 1, 2 or 3 during the year.

There were no changes in the valuation techniques during the year.

The table above only includes financial assets, as no financial liabilities were measured at fair value in the Statement of Financial Position.

The value of the TCorpIM Funds is based on the entity's share of the value of the underlying assets of the facility, based on the market value. All of the TCorpIM Funds facilities are valued using 'redemption' pricing.

## 32. Related party disclosures

### a) Key management personnel compensation

During the year, the entity incurred \$5.7 million in respect of the key management personnel services that are provided by the Department of Transport and Transport Service of 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.

	2020 \$'000	2019 \$'000
Salaries	5,692	5,087
<b>Total remuneration</b>	<b>5,692</b>	<b>5,087</b>

### b) Transactions and outstanding balances with key management personnel of the entity and its parent during the financial year

There were no material transactions or outstanding balances with key management personnel of the entity and its parent during the financial year (2019: nil).

### c) Transactions and outstanding balances with other related parties during the financial year

There were no transactions or outstanding balances with other related parties during the financial year (2019: nil).

### d) Transactions with government related entities during the financial year

During the financial year ended 30 June 2020, Transport for NSW has entered into the following transactions with other entities consolidated as part of the NSW Total State Sector (the ultimate parent) within the normal course of business:

- Recurrent and capital draw-downs from NSW Treasury
- Grants and contributions from NSW Treasury to fund redundancy grants in the Transport cluster, the Restart Grants, the former Roads and Maritime Services capital works, Sydney Metro City and Southwest capital works, Northern Beaches B-line project and Parramatta Light Rail project
- Grants and contributions from the Department of Community and Justice for the Commonwealth Home Support Program
- Grants and contributions from the Department of Community and Justice for the Commonwealth Home Support Program
- Monthly reimbursements from RailCorp for the design and construction of major rail projects
- Recoupment of project costs incurred by Transport for NSW on behalf of the former Roads and Maritime Services, Sydney Trains, Sydney Metro and Sydney Ferries
- Recoupment of services provided to Transport cluster agencies
- Payments for professional services provided by Infrastructure NSW and Ministry of Health
- Resources received free of charge from the Crown Finance Entity relating to employee benefits and other liabilities
- Grants paid to various Transport cluster agencies including Sydney Trains, NSW Trains, RailCorp, the former Roads and Maritime Services, and Sydney Metro
- Non-cash grants to the former Roads and Maritime Services, Sydney Water, Health Administration Corporation and Centennial Park Moore Park Trust
- Road safety grants paid to NSW Police to support drug and alcohol screening
- Grants paid to Ministry of Health for Parramatta Light Rail and roadside drug testing lab
- Grants paid to the State Insurance Regulatory Authority for Centre for Road Safety
- Grants and subsidies to local councils for the Commonwealth Home Support Program
- Reimbursements to State Transit Authority for bus purchase
- Hire of rail services for major events from Sydney Trains
- Payments for personnel services provided by Transport Service and personnel service revenue for seconded staff from other NSW government agencies
- Short term and medium term deposits held by NSW Treasury Corporation and associated interest income

### **32. Related party disclosures (cont'd)**

- Interest revenue earned from the Treasury Banking System
- Rental and accommodation expenses paid to Property NSW
- Equity transfers from/ to RailCorp to Transport for NSW under the *Transport Administration Act 1988*
- Equity transfer from Sydney Metro under the *Transport Administration Act 1988*
- Insurance payment to and hindsight adjustment received from Insurance and Care NSW and the Treasury Managed Fund (TMF).
- Front-line service delivery fees from Service NSW
- Pass through of administered funds collected by Transport for NSW on behalf of Insurance and Care NSW.
- Grants and contributions received from various agencies including NSW Department of Planning, Industry and Environment, Landcom, NSW Environment, Energy and Science and the Department of Communities and Justice.
- Professional services and external works provided/received from various agencies including NSW Department of Planning, Industry and Environment and Sydney Water Corporation.

### **33. After balance date events**

#### **Transport Asset Holding Entity of New South Wales**

On 1 July 2020, Rail Corporation New South Wales (RailCorp) was renamed the Transport Asset Holding Entity of New South Wales (TAHE) and converted to a statutory State Owned Corporation pursuant to the Transport Administration Act 1988 and the State Owned Corporations Act 1989.

TAHE will continue to transact with Transport for NSW as it did when it was RailCorp and therefore there is no impact to the net assets or net result to be disclosed.

TAHE may eventually hold additional public transport assets for the State, including public transport assets currently held by Transport for NSW. The transfer of assets is intended to occur progressively over a number of years if a decision is made to transfer Transport for NSW public transport assets into TAHE.

#### **WestConnex Stage 2**

On 5 July 2020, the M8 (WestConnex Stage 2) was formally opened to traffic. The concession holder will operate this motorway until 2060, after which the motorway will be transferred back to Transport for NSW.

In the 2021 financial year, Transport for NSW owned infrastructure assets that were contributed towards this stage will be reclassified as a service concession asset in accordance with AASB1059 Service Concession Arrangements: Grantors. A service concession liability will also be recognised. The estimated financial impact is the recognition of a service concession asset of \$5.5 billion and a service concession liability of \$3.9 billion.

#### **Transition of the Maritime Infrastructure Delivery Office**

The Maritime Infrastructure Delivery Office was established within the former Roads & Maritime (RMS) in July 2018 to improve the coordination and delivery of coastal and boating infrastructure programs as well as to provide a single point of contact and centre of expertise for customers, industry and local government.

Staff from the Department of Planning, Industry and Environment were partially embedded within Transport for NSW (and the former RMS) under a Memorandum of Understanding. After an initial 12-month trial operating period, Transport for NSW led an evaluation of this operating model. The outcome supported the proposal for a permanent Maritime Infrastructure Delivery Office to be established in Transport for NSW by transferring relevant functions from the Department. The transition was completed on 1 July 2020 when Transport for NSW was transferred employee related and operating budgets and assumed management of the tenures associated with land for which it is being appointed as Crown Land Manager or head licensee. The estimate of net assets transferred on 1 July 2020 is \$1.9 billion. The ongoing capital and operating budget transferred to Transport for NSW is approximately \$10.0 million and \$5.0 million, respectively, per annum.

#### **COVID-19**

The outbreak of the novel Coronavirus (COVID-19) was declared a global pandemic by the World Health Organisation on 11 March 2020. Measures taken by various governments to contain the virus have affected economic activity.

Transport for NSW receives funding from the Consolidated Fund, and the Treasurer has authorised Ministers to spend specified amounts from Consolidated Fund from 1 July 2020 until the earlier of 31 December 2020 (or another day prescribed by the regulations) or enactment of the 2020-21 annual Appropriations Bill. Therefore, there is no risk for Transport for NSW to continue operating as a going concern after 30 June 2020.

At this stage, the impact on Transport for NSW's operation and financial performance has not been material.

## **Transport for NSW**

### **Notes to the financial statements**

for the year ended 30 June 2020

---

#### **33. After balance date events (cont'd)**

The real estate market is being impacted by the uncertainty that the COVID-19 outbreak has caused. Market conditions can change within a relatively short period of time. Transport for NSW engaged an independent external valuer to undertake a market review to identify any adverse material market movement in values since 30 June 2020. The external valuer advised that since the 30 June 2020 valuation, there has been limited data to draw conclusions from and there has been too little time passed for the market to move materially due to COVID-19. Transport for NSW also noted that there is significant market uncertainty, whereby the fair value of property, plant and equipment may change significantly and unexpectedly over a relatively short period of time. Transport for NSW will continue to assess the implications of COVID-19 on the fair value of its assets when new information becomes available.

**End of audited financial statements.**



## INDEPENDENT AUDITOR'S REPORT

### Transport for NSW

To Members of the New South Wales Parliament

#### Opinion

I have audited the accompanying financial statements of Transport for NSW, which comprise the Statement of comprehensive income for the year ended 30 June 2020, the Statement of financial position as at 30 June 2020, the Statement of changes in equity and the Statement of cash flows 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 the Transport for NSW as at 30 June 2020, 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 Transport for NSW 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 (including Independence Standards)' (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.



## Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements for the year ended 30 June 2020. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, I do not provide a separate opinion on these matters.

Key Audit Matter	How my audit addressed the matter
<b>Valuation of property, plant and equipment</b>	
<p>At 30 June 2020, Transport for NSW reported \$111 billion in property, plant and equipment measured at fair value. The closing balance of property, plant and equipment includes a net revaluation increment of \$329 million recorded during the year ended 30 June 2020.</p> <p>I considered this to be a key audit matter because of the:</p> <ul style="list-style-type: none"> <li>financial significance of the property, plant and equipment balances</li> <li>extent of significant management judgements underpinning key assumptions used in the valuation process</li> <li>sensitivity of fair value to changes in key assumptions</li> <li>specialised and unique nature of the assets impacting on judgement and complexities with applying AASB 13 'Fair Value Measurement' requirements.</li> </ul> <p>Details on the valuation techniques, inputs and processes for major asset classes are disclosed in Notes 14 and 18.</p>	<p>Key audit procedures included the following:</p> <ul style="list-style-type: none"> <li>obtained an understanding of Transport NSW's approach to estimating the fair value of property, plant and equipment assets</li> <li>assessed the competence, capability and objectivity of experts engaged by Transport for NSW</li> <li>assessed significant judgments made in determining the valuation approach for unique and specialised assets</li> <li>reviewed the reasonableness of all the key assumptions and sensitivity of the conclusions to changes in those assumptions</li> <li>assessed the sufficiency and appropriateness of Transport for NSW's fair value assessment and financial statement disclosures against the requirements of applicable Australian Accounting Standards and Treasurer's Directions.</li> </ul>
<b>Accounting for CBD and South East Light Rail assets</b>	
<p>At 30 June 2020, the property, plant and equipment balance included \$2.2 billion capitalised for the CBD and South East Light Rail.</p> <p>I consider this to be a key audit matter because of the:</p> <ul style="list-style-type: none"> <li>complexities surrounding the completeness of the project cost information</li> <li>significant judgements required in allocating costs between expense and capital</li> <li>significant judgements required in assessing fair value due to restrictions over land, costs capitalised over several years and application of AASB 13 'Fair Value Measurement' on costs previously capitalised.</li> </ul> <p>Details on property, plant and equipment are disclosed in Note 14.</p>	<p>Key audit procedures included the following:</p> <ul style="list-style-type: none"> <li>assessed the accuracy, completeness and fair value of assets capitalised</li> <li>evaluated the rights and obligations over completed project assets</li> <li>assessed the project cost allocation between expense and capital costs.</li> </ul>

## **Other Information**

Transport for NSW's annual report for the year ended 30 June 2020 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Secretary of Transport for NSW is responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the Statement by the Secretary.

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

## **The Secretary's Responsibilities for the Financial Statements**

The Secretary is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Secretary determines is 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 Secretary is responsible for assessing the Transport for NSW's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting.

## **Auditor's Responsibilities 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/ar6.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar6.pdf). The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

- that Transport for NSW carried out its activities effectively, efficiently and economically
- 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.

A handwritten signature in black ink, appearing to read 'Margaret Crawford', with a stylized, flowing script.

Margaret Crawford  
Auditor-General for New South Wales

14 October 2020  
SYDNEY



# **Transport Service of New South Wales**

Annual Financial Statements

for the year ended 30 June 2020

## Table of contents

---

Statement by the Secretary .....	2
Statement of comprehensive income .....	3
Statement of financial position .....	4
Statement of changes in equity .....	5
Statement of cash flows.....	6
1. Summary of significant accounting policies .....	7
2. Expenses excluding losses .....	11
3. Revenue .....	11
4. Cash and cash equivalents .....	12
5. Receivables .....	12
6. Payables .....	13
7. Employee benefits .....	14
8. Reconciliation of net cash flows from operating activities to net result.....	29
9. Financial instruments .....	30
10. Related party disclosures.....	32
11. Contingent liabilities and contingent assets .....	32
12. After balance date events .....	32

**Transport Service of New South Wales**  
**Statement by the Secretary**  
for the year ended 30 June 2020

---

Pursuant to sections 41C (1B) and (1C) of the *Public Finance and Audit Act 1983*, I declare that, in my opinion:

1. The accompanying financial statements, exhibit a true and fair view of the financial position of Transport Service of New South Wales as at 30 June 2020, and of its financial performance for the year ended on that date.
2. The financial statements have been prepared in accordance with the provisions of the applicable Australian Accounting Standards, including Australian Accounting Interpretations, and other mandatory and statutory reporting requirements, including the *Public Finance and Audit Act 1983*, the Public Finance and Audit Regulation 2015 and NSW Treasurer's Directions.

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



Rodd Staples  
**Secretary**

30 September 2020

# **Transport Service of New South Wales** **Statement of comprehensive income**

as at 30 June 2020

	Notes	2020 \$'000	2019 \$'000
<b>Expenses excluding losses</b>			
Employee related	2(a)	2,109,089	1,986,191
Other operating	2(b)	48	47
<b>Total expenses excluding losses</b>		<b>2,109,137</b>	<b>1,986,238</b>
<b>Revenue</b>			
Grants and contributions	3(c)	48	47
Acceptance by the Crown Entity of employee benefits and other liabilities	3(b)	80,868	108,738
Personnel service revenue	3(a)	2,027,846	1,906,160
<b>Total revenue</b>		<b>2,108,762</b>	<b>2,014,945</b>
<b>Net result</b>		<b>(375)</b>	<b>28,707</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to net result</i>			
Remeasurement of defined benefit superannuation schemes	7	375	(28,707)
<b>Total other comprehensive income</b>		<b>375</b>	<b>(28,707)</b>
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>

The accompanying notes form part of these financial statements.

# Transport Service of New South Wales

## Statement of financial position

as at 30 June 2020

	Notes	2020 \$'000	2019 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	50,647	43,346
Receivables	5	299,409	272,506
<b>Total current assets</b>		<b>350,056</b>	<b>315,852</b>
<b>Non-current assets</b>			
Receivables	5	193,610	200,944
<b>Total non-current assets</b>		<b>193,610</b>	<b>200,944</b>
<b>Total assets</b>		<b>543,666</b>	<b>516,796</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	6	23,240	32,411
Employee benefits	7	326,816	283,441
<b>Total current liabilities</b>		<b>350,056</b>	<b>315,852</b>
<b>Non-current liabilities</b>			
Employee benefits	7	193,610	200,944
<b>Total non-current liabilities</b>		<b>193,610</b>	<b>200,944</b>
<b>Total liabilities</b>		<b>543,666</b>	<b>516,796</b>
<b>Net assets</b>		<b>-</b>	<b>-</b>
<b>EQUITY</b>			
Accumulated funds		-	-
<b>Total equity</b>		<b>-</b>	<b>-</b>

The accompanying notes form part of these financial statements.



# Transport Service of New South Wales

## Statement of changes in equity

for the year ended 30 June 2020

	Notes	Accumulated funds \$ '000	Total equity \$ '000
<b>Balance at 1 July 2019</b>		-	-
<b>Net result for the year</b>		(375)	(375)
<b>Other comprehensive income</b>			
Remeasurement of defined benefit superannuation schemes	7	375	375
<b>Total other comprehensive income</b>		<b>375</b>	<b>375</b>
<b>Total comprehensive income for the year</b>		-	-
<b>Balance at 30 June 2020</b>		-	-
<b>Balance at 1 July 2018</b>		-	-
<b>Net result for the year</b>		<b>28,707</b>	<b>28,707</b>
<b>Other comprehensive income</b>			
Remeasurement of defined benefit superannuation schemes	7	(28,707)	(28,707)
<b>Total other comprehensive income</b>		<b>(28,707)</b>	<b>(28,707)</b>
<b>Total comprehensive income for the year</b>		-	-
<b>Balance at 30 June 2019</b>		-	-

The accompanying notes form part of these financial statements.

# Transport Service of New South Wales

## Statement of cash flows

for the year ended 30 June 2020

	Notes	2020 \$'000	2019 \$'000
<b>Cash flows from operating activities</b>			
<b>Payments</b>			
Employee related		(2,001,024)	(1,892,701)
<b>Total payments</b>		<b>(2,001,024)</b>	<b>(1,892,701)</b>
<b>Receipts</b>			
Personnel services		2,008,325	1,897,712
<b>Total receipts</b>		<b>2,008,325</b>	<b>1,897,712</b>
<b>Net cash flows from operating activities</b>	8	<b>7,301</b>	<b>5,011</b>
<b>Cash flows from investing activities</b>			
<b>Net cash flows from investing activities</b>		-	-
<b>Cash flows from financing activities</b>			
<b>Net cash flows from financing activities</b>		-	-
<b>Net (decrease)/increase in cash</b>		<b>7,301</b>	<b>5,011</b>
Opening cash and cash equivalents		43,346	38,335
<b>Closing cash and cash equivalents</b>	4	<b>50,647</b>	<b>43,346</b>

The accompanying notes form part of these financial statements

# Transport Service of New South Wales

## Notes to the financial statements

for the year ended 30 June 2020

---

### 1. Summary of significant accounting policies

#### (a) Reporting entity

The Transport Service of New South Wales (Transport Service) was established on 1 November 2011 as a not-for-profit agency (as profit is not its principal objective) to employ staff to enable Transport for NSW, which cannot directly employ staff, to undertake its functions. Transport Service also directly employs staff for the former Roads and Maritime Services (RMS) (until its dissolution on 1 December 2019), State Transit Authority (STA), Sydney Metro, as well as senior executives of Sydney Trains and NSW Trains.

The salaries and related costs are recovered from the relevant entities to which the employees are assigned except for long service leave and defined benefits superannuation scheme expenses relating to Transport for NSW, the former RMS and all senior executives which are assumed by the Crown.

The Transport Administration Amendment (RMS Dissolution) Bill 2019 dissolved RMS on 1 December 2019. On dissolution, RMS' assets, rights, liabilities and functions were transferred to Transport for NSW to be used, recovered or settled in the normal course of business by Transport for NSW. The financial statements thereby include balances and transactions from the former RMS entity from 1 December 2019. The employees assigned to the former RMS are now assigned to Transport for NSW, since 1 December 2019.

Transport Service is a NSW government entity controlled by the Department of Transport. The financial statements of Transport Service are consolidated in the Department of Transport financial statements and the NSW Total State Sector, which is the ultimate parent.

The financial statements of Transport Service for the year ended 30 June 2020 were authorised for issue by the Secretary on the date the accompanying statement was signed.

#### (b) Basis of preparation

The financial statements are general purpose financial statements which have been prepared on an accrual basis in compliance with:

- Applicable Australian Accounting Standards (which include Australian Accounting Interpretations);
- The requirements of the *Public Finance and Audit Act 1983* and Public Finance and Audit Regulation 2015; and
- Treasurer's Directions issued under the *Public Finance and Audit Act 1983*.

Financial statements items are prepared in accordance with the historical cost convention except for superannuation.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency, which is the entity's presentation and functional currency.

#### (c) 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.

## **1. Summary of significant accounting policies (cont'd)**

### **(c) Critical accounting estimates, judgements and assumptions (cont'd)**

Management evaluates these judgements, estimates and assumptions on an ongoing basis. Revisions to estimates are recognised in the period in which the estimates are 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.

The judgements, key assumptions and estimates management has made are disclosed in the relevant notes to the financial statements.

### **(d) Statement of compliance**

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

### **(e) 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.

### **(f) Changes in accounting policy, including new or revised Australian Accounting Standards**

#### **(i) Effective for the first time in 2020**

The entity has adopted AASB 15 *Revenue from contracts with customers*, AASB 1058 *Income for not-for-profit entities* and AASB 16 *Leases* for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

#### **AASB 15 Revenue from Contracts with Customers**

AASB 15 supersedes AASB 111 *Construction Contracts*, AASB 118 *Revenue* and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

AASB 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures.

In accordance with the transition provisions in AASB 15, the entity has adopted AASB 15 retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application, i.e. 1 July 2019. The entity has used the transitional practical expedient permitted by the standard to reflect the aggregate effect of all of the modifications that occur before 1 July 2018 when:

- identifying the satisfied and unsatisfied performance obligations
- determining the transaction price
- allocating the transaction price to the satisfied and unsatisfied performance obligations.

The adoption of AASB 15 did not have a significant impact on the financial statements of Transport Service of New South Wales.

**1. Summary of significant accounting policies (cont'd)**

**(f) Changes in accounting policy, including new or revised Australian Accounting Standards (cont'd)**

**(i) Effective for the first time in 2020 (cont'd)**

**AASB 1058 Income of Not-for-Profit Entities**

AASB 1058 replaces most of the existing requirements in AASB 1004 Contributions. The scope of AASB 1004 is now limited mainly to contributions by owners (including parliamentary appropriations that satisfy the definition of a contribution by owners), administrative arrangements and liabilities of government departments assumed by other entities.

AASB 1058 applies to income with a donation component, i.e. transactions where the consideration to acquire an asset is significantly less than fair value principally to enable a not-for-profit entity to further its objectives; and volunteer services. AASB 1058 adopts a residual approach, meaning that entities first apply other applicable Australian Accounting Standards (e.g. AASB 1004, AASB 15, AASB 16, AASB 9, and AASB 137) to a transaction before recognising income.

Not-for-profit entities need to determine whether a transaction is/contains a donation (accounted for under AASB 1058) or a contract with a customer (accounted for under AASB 15).

AASB 1058 requires recognition of receipt of an asset, after the recognition of any related amounts in accordance with other Australian Accounting Standards, as income:

- when the obligations under the transfer is satisfied, for transfers to enable an entity to acquire or construct a recognisable non-financial asset that will be controlled by Transport Service of New South Wales.
- immediately, for all other income within the scope of AASB 1058.

In accordance with the transition provisions in AASB 1058, the entity has adopted AASB 1058 retrospectively with the cumulative effect of initially applying the standard at the date of initial application, i.e. 1 July 2019. The entity has adopted the practical expedient in AASB 1058 whereby existing assets acquired for consideration significantly less than fair value principally to enable the entity to further its objectives, are not restated to their fair value.

The adoption of AASB 1058 did not have a significant impact on financial statements of Transport Service of New South Wales.

**AASB 16 Leases**

AASB 16 supersedes AASB 117 Leases, Interpretation 4 Determining whether an Arrangement contains a Lease, Interpretation 115 Operating Leases – Incentives and Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet. The adoption of AASB 16 did not have a significant impact on the financial statements of Transport Service of New South Wales.

# Transport Service of New South Wales

## Notes to the financial statements

for the year ended 30 June 2020

---

### 1. Summary of significant accounting policies (cont'd)

#### (f) Changes in accounting policy, including new or revised Australian Accounting Standards (cont'd)

##### (ii) New Australian Accounting Standards issued but not effective

Australian Accounting Standards and Interpretations that have been issued or revised but are not yet effective have not been early adopted in accordance with Treasury mandated policy.

The impact of the following standards in the period of initial application is not expected be significant.

Standard	Applicable to annual reporting periods beginning on or after
AASB 2018-7 <i>Amendments to Australian Accounting Standards – Definition of Material</i>	1 January 2020
AASB 2019-3 <i>Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform</i>	1 January 2020
AASB 2019-1 <i>Amendments to Australian Accounting Standards - References to the Conceptual Framework</i>	1 January 2020

A number of other new standards or amendments to standards have been identified and assessed and it is expected that they will have no material impact on the financial statements of Transport Service.

# **Transport Service of New South Wales** **Notes to the financial statements**

for the year ended 30 June 2020

## **2. Expenses excluding losses**

### **(a) Employee related expenses**

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Salaries and wages (including annual leave)	1,726,971	1,589,143
Superannuation - defined benefit plan	16,284	12,262
Superannuation - defined contribution plan	144,422	127,877
Long service leave	77,335	106,148
Workers' compensation insurance	18,837	18,016
Payroll tax and fringe benefit tax	106,302	101,786
Redundancies	18,160	30,250
Other employment benefits	778	709
<b>Employee related expenses</b>	<b>2,109,089</b>	<b>1,986,191</b>

### **(b) Other operating expenses**

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Auditor's remuneration - audit of financial statements	48	47
<b>Other operating expenses</b>	<b>48</b>	<b>47</b>

## **3. Revenue**

### **(a) Personnel service revenue**

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Fee for personnel services	2,027,846	1,906,160
<b>Personnel service revenue</b>	<b>2,027,846</b>	<b>1,906,160</b>

### **(b) Acceptance by the Crown Entity of employee benefits and other liabilities**

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Superannuation - defined benefit	12,337	13,950
Long service leave	67,901	94,065
Payroll tax	630	723
<b>Acceptance by the Crown Entity of employee benefits and other liabilities</b>	<b>80,868</b>	<b>108,738</b>

### **(c) Grants and contributions**

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Grant from Transport for NSW	48	47
<b>Grants and contributions</b>	<b>48</b>	<b>47</b>

**Transport Service of New South Wales**  
**Notes to the financial statements**  
for the year ended 30 June 2020

### 3. Revenue (cont'd)

#### Recognition and measurement

Until 30 June 2019, income is recognised in accordance with AASB 111 Construction Contracts, AASB 118 Revenue and AASB 1004 Contributions.

Income is recognised and measured at the fair value of the consideration or contribution received or receivable to the extent that it is probable that the economic benefit will flow to Transport Service and the income can be reliably measured.

Revenue from the rendering of personnel services is recognised when the service is provided and only to the extent that the associated recoverable expenses are recognised.

Income from grants (other than contribution by owners) is recognised when the entity obtains control over the contribution. The entity is deemed to have assumed control when the grant is received or receivable.

From 1 July 2019, income is recognised in accordance with the requirements of AASB 15 *Revenue from Contracts with Customers* or AASB 1058 *Income of Not-for-Profit Entities*, dependent on whether there is a contract with a customer defined by AASB 15 *Revenue from Contracts with Customers*. Comments regarding the accounting policies for the recognition of income are discussed below.

Revenue from rendering of personnel services is recognised when the Entity satisfies the performance obligation by transferring the promised services.

Income from grants without sufficiently specific performance obligations is recognised when the entity obtains control over the granted assets (e.g. cash).

### 4. Cash and cash equivalents

	2020 \$'000	2019 \$'000
Cash at bank	50,647	43,346
<b>Cash and cash equivalents</b>	<b>50,647</b>	<b>43,346</b>

For the purposes of the Statement of cash flows, cash and cash equivalents include cash at bank.

### 5. Receivables

	2020 \$'000	2019 \$'000
Personnel service receivables	299,409	272,506
<b>Current receivables</b>	<b>299,409</b>	<b>272,506</b>
Personnel service receivables	193,610	200,944
<b>Non-current receivables</b>	<b>193,610</b>	<b>200,944</b>

#### Recognition and measurement

Receivables are initially recognised at fair value plus any directly attributable transaction costs. Receivables that do not contain a significant financing component are measured at the transaction price.



## Transport Service of New South Wales

### Notes to the financial statements

for the year ended 30 June 2020

#### 5. Receivables (cont'd)

##### Recognition and measurement (cont'd)

##### Subsequent measurement

The entity holds receivables with the objective to collect the contractual cash flows and therefore measures them at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

##### Impairment

The entity recognises an allowance for expected credit losses (ECLs) for all debt financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows and the cash flows that the entity expects to receive, discounted at the original effective interest rate.

##### Impairment (cont'd)

The entity first assesses whether impairment exists individually for receivables that are individually significant, or collectively for those that are not individually significant. Further, receivables are assessed for impairment on a collective basis if they were assessed not to be impaired individually.

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 original effective interest rate. The amount of the impairment loss is recognised in the net result for the year.

Any reversals of impairment losses are reversed through the net result for the year, if objectively related to an event occurring after the impairment was recognised. Reversals of impairment losses cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

#### 6. Payables

	2020 \$'000	2019 \$'000
Accruals - salaries and oncosts	18,027	19,038
Creditors	5,213	13,373
<b>Current payables</b>	<b>23,240</b>	<b>32,411</b>

##### Recognition and measurement

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

Payables are financial liabilities at amortised cost, initially measured at fair value, net of directly attributable transaction costs. These are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised net result when the liabilities are derecognised as well as through the amortisation process.

**Transport Service of New South Wales**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**7. Employee benefits**

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Annual leave <sup>1</sup>	194,364	159,232
Long service leave <sup>2</sup>	119,878	110,406
Workers compensation insurance <sup>3</sup>	4,163	4,279
Payroll tax	7,893	7,102
Public holidays	288	255
Severance payments / redundancies	230	2,167
<b>Current employee benefits</b>	<b>326,816</b>	<b>283,441</b>
Long service leave <sup>2</sup>	11,124	10,890
Workers compensation insurance <sup>3</sup>	23,269	21,171
Superannuation	159,217	168,883
<b>Non-current employee benefits</b>	<b>193,610</b>	<b>200,944</b>
Employee benefits - current	326,816	283,441
Employee benefits - non-current	193,610	200,944
Accruals - salaries and on-costs	18,027	19,038
<b>Total employee benefits and related on-costs</b>	<b>538,453</b>	<b>503,423</b>

<sup>1</sup> It is estimated that the provision for annual leave includes an amount of \$66.6 million that is expected to be taken after 30 June 2021 (after 30 June 2020: \$46.9 million).

<sup>2</sup> The provision for long service leave represents consequential costs not assumed by the Crown Entity for Transport for NSW, the former RMS Employment Groups, Sydney Metro, as well as senior executives of Sydney Trains and NSW Trains and the provision for long service leave and associated consequential costs for State Transit Authority (STA) Employment Group of Transport Service as per NSW TC 18/13. It is estimated that the current provision for long service leave includes an amount of \$112.4 million that is expected to be taken after 30 June 2021 (after 30 June 2020: \$102.9 million).

<sup>3</sup> Includes STA self-insurance arrangement for workers compensation.

## **7. Employee benefits (cont'd)**

### **Recognition and measurement**

#### **(i) Salaries and wages, annual leave, sick leave and on-costs**

Salaries and wages (including non-monetary benefits) and paid sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the service are recognised and measured at the undiscounted amounts of the benefits.

Annual leave is not expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service. As such, it is required to be measured at present value in accordance with AASB 119 Employee Benefits (although short-cut methods are permitted). Actuarial advice obtained by Treasury has confirmed that the use of a nominal approach plus the annual leave on annual leave liability (using 7.9% of the nominal value of annual leave) can be used to approximate the present value of the annual leave liability. Transport Service has assessed the actuarial advice based on Transport Service's circumstances and has determined that the effect of discounting is immaterial to annual leave.

Unused non-vesting sick leave does not give rise to a liability as it is not considered probable that sick leave taken in the future will be greater than the benefits accrued in the future.

#### **(ii) Long service leave and superannuation**

Transport Services' liabilities for long service leave and defined benefit superannuation are either assumed by the Crown Finance Entity or the entity itself.

For liabilities that are assumed by the Crown Finance Entity, Transport Service accounts for the liability as having been extinguished, resulting in the amount assumed being shown as part of the non-monetary revenue item described as 'Acceptance by the Crown Finance Entity of employee benefits and other liabilities'.

Long service leave is measured at present value in accordance with AASB 119 *Employee Benefits*. This is based on the application of certain factors (specified in NSW TC 18/13) to employees with five or more years of service, using current rates of pay. These factors were determined based on an actuarial review to approximate present value.

The superannuation expense recognised in the Statement of comprehensive income comprises:

- defined contribution plans, the expense is calculated as a percentage of the employees' salary;
- defined benefit plans, the expense is a multiple of the employees' superannuation contributions as specified in the Treasury Circular *"Accounting for Superannuation"* (NSW TC 18/10).

When liabilities are assumed by Transport Service, they are recognised in the Statement of financial position and measured as follows:

- Long service leave is measured as the present value of expected future payments to be made in respect of employee's service up to the reporting date, in accordance with AASB 119 *Employee Benefits*. This is based on an actuarial assessment. Consideration is given to the expected future wage and salary levels, experience of employee departures and period of service.
- Contributions to defined contribution plans are expensed when incurred. The superannuation expense is calculated as a percentage of the employee's salary. A liability is recognised only to the extent of unpaid employer contributions at reporting date.

## **7. Employee benefits (cont'd)**

### **Recognition and measurement (cont'd)**

#### **(ii) Long service leave and superannuation (cont'd)**

- For defined benefit plans, actuarial valuations are carried out at each reporting date by Mercer and the actuarial gains and losses are recognised outside of the net result in other comprehensive income in the year in which they occur. Expenses are recognised based on service costs plus net interest on the net liability or asset for the reporting period as calculated and advised by Mercer. A net liability or asset is recognised based on the difference between the present value of Transport Services' defined benefit obligations and the fair value of fund assets as at the reporting date, as adjusted for any asset ceiling. The net liability or asset is actuarially determined.

#### **(iii) Consequential on-costs**

Consequential costs to employment are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised. This includes outstanding amounts of payroll tax, workers' compensation insurance premiums and fringe benefits tax.

#### **Defined benefit superannuation overview for STA Employment Group**

This overview only relates to the STA Employment Group whose defined benefit superannuation schemes are not assumed by the Crown Entity.

Employer contributions are made to three defined benefit superannuation schemes administered by the SAS Trustee Corporation (STC): The State Authorities Superannuation Scheme (SASS), the State Authorities Non-contributory Superannuation Scheme (SANCS) and the State Superannuation Scheme (SSS), which are part of the Pooled Fund. Each scheme is closed to new members and its investments are held in trust by the Pooled Fund. At least a component of the final benefit is derived from a multiple of members' salary and years of membership. All fund assets are invested by SAS Trustee Corporation at arm's length through independent fund managers.

An underfunded scheme is recognised as a provision and an overfunded scheme is recognised as an asset. Details of both provisions and assets are given below. All paragraph references following pertain to AASB 119 *Employee Benefits*.

**Transport Service of New South Wales**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**7. Employee benefits (cont'd)**

**Defined benefit superannuation overview for STA Employment Group (cont'd)**

<b>Year ended 30 June 2020</b>	<b>SASS</b>	<b>SANCS</b>	<b>SSS</b>	<b>Total</b>
<b>Member numbers</b>				
Contributors	154	154	-	
Deferred benefits	-	-	-	
Pensioners	217	-	17	
Pensions fully commuted	-	-	2	
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Superannuation Position for AASB 119 purposes</b>				
Accrued liability (Note 1)	257,463	10,716	22,138	290,317
Estimated reserve account balance	(104,293)	(14,123)	(12,684)	(131,100)
<b>Deficit/(surplus)</b>	<b>153,170</b>	<b>(3,407)</b>	<b>9,454</b>	<b>159,217</b>
Future service liability (Note 2)	2,408	2,192	-	4,600
Surplus in excess of recovery available from schemes	-	-	-	-
<b>Net (asset)/liability to be recognised in Statement of financial position</b>	<b>153,170</b>	<b>(3,407)</b>	<b>9,454</b>	<b>159,217</b>

<b>Year ended 30 June 2019</b>	<b>SASS</b>	<b>SANCS</b>	<b>SSS</b>	<b>Total</b>
<b>Member numbers</b>				
Contributors	180	180	-	
Deferred benefits	-	-	-	
Pensioners	213	-	17	
Pensions fully commuted	-	-	2	
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Superannuation Position for AASB 119 purposes</b>				
Accrued liability (Note 1)	271,681	11,648	22,649	305,978
Estimated reserve account balance	(108,528)	(15,333)	(13,234)	(137,095)
<b>Deficit/(surplus)</b>	<b>163,153</b>	<b>(3,685)</b>	<b>9,415</b>	<b>168,883</b>
Future service liability (Note 2)	3,536	2,481	-	6,017
Surplus in excess of recovery available from schemes	-	-	-	-
<b>Net (asset)/liability to be recognised in Statement of financial position</b>	<b>163,153</b>	<b>(3,685)</b>	<b>9,415</b>	<b>168,883</b>

**Note 1**

The accrued liability includes a contribution tax provision. This is calculated based on grossing up the deficit/(surplus) less the allowance for past service expenses and insurable death and disability liabilities at a contribution tax rate of 15%.

**Note 2**

The Future Service Liability (FSL) does not have to be recognised by an employer. It is only used to determine if an asset ceiling limit should be imposed (AASB 119 para 64). Under AASB 119, any prepaid superannuation asset recognised cannot exceed the present value of any economic benefits that may be available in the form of refunds from the plan or reductions in future contributions to the plan. Where the "surplus in excess of recovery" is zero, no asset ceiling limit is imposed.

(Note: this also includes a contribution tax provision).

## **7. Employee benefits (cont'd)**

### **Defined benefit superannuation overview for STA Employment Group (cont'd)**

- **Nature of the benefits provided by the fund – Para 139(a)(i)**

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

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

These schemes are all defined benefit schemes – at least a component of the final benefit is derived from a multiple of member salary and years of membership. Members receive lump sum or pension benefits on retirement, death, disablement and withdrawal.

All the schemes are closed to new members.

- **Description of the regulatory framework - Para 139(a)(ii)**

The schemes in the Pooled Fund are established and governed by the following NSW legislation: Superannuation Act 1916, State Authorities Superannuation Act 1987, Police Regulation (Superannuation) Act 1906, State Authorities Non-Contributory Superannuation Act 1987, and their associated regulations.

The schemes in the Pooled Fund are exempt public sector superannuation schemes under the Commonwealth Superannuation Industry (Supervision) Act 1993 (SIS). The SIS Legislation treats exempt public sector superannuation funds as complying funds for concessional taxation and superannuation guarantee purposes.

Under a Heads of Government agreement, the New South Wales Government undertakes to ensure that the Pooled Fund will conform with the principles of the Commonwealth's retirement incomes policy relating to preservation, vesting and reporting to members and that members' benefits are adequately protected.

The New South Wales Government prudentially monitors and audits the Pooled Fund and the Trustee Board activities in a manner consistent with the prudential controls of the SIS legislation. These provisions are in addition to other legislative obligations on the Trustee Board and internal processes that monitor the Trustee Board's adherence to the principles of the Commonwealth's retirement incomes policy.

An actuarial investigation of the Pooled Fund is performed every three years. The last actuarial investigation was performed as at 30 June 2018. The next actuarial investigation will be performed at 30 June 2021.

- **Description of other entities' responsibilities for the governance of the fund - Para 139(a)(iii)**

The Fund's Trustee is responsible for the governance of the Fund. The Trustee has a legal obligation to act solely in the best interests of fund beneficiaries. The Trustee has the following roles:

- \* Administration of the fund and payment to the beneficiaries from fund assets when required in accordance with the fund rules;
- \* Management and investment of the fund assets; and,
- \* Compliance with other applicable regulations.

# Transport Service of New South Wales

## Notes to the financial statements

for the year ended 30 June 2020

### 7. Employee benefits (cont'd)

#### Defined benefit superannuation overview for STA Employment Group (cont'd)

- Description of risks - Para 139(b)**

There are a number of risks to which the Fund exposes the Employer. The more significant risks relating to the defined benefits are:

- \* Investment risk - The risk that investment returns will be lower than assumed and the Employer will need to increase contributions to offset this shortfall.
- \* Longevity risk – The risk that pensioners live longer than assumed, increasing future pensions.
- \* Pension indexation risk – The risk that pensions will increase at a rate greater than assumed, increasing future pensions.
- \* Salary growth risk - The risk that wages or salaries (on which future benefit amounts for active members will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions.
- \* Legislative risk - The risk is that legislative changes could be made which increase the cost of providing the defined benefits.

The defined benefit fund assets are invested with independent fund managers and have a diversified asset mix. The Fund has no significant concentration of investment risk or liquidity risk.

- Description of significant events - Para 139(c)**

There were no fund amendments, curtailments or settlements during the year.

- Reconciliation of the net defined benefit liability/(asset) - Para 140(a)**

Year ended 30 June 2020	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Net defined benefit liability/(asset) at start of year	163,153	(3,685)	9,415	168,883
Current service cost	1,380	425	-	1,805
Net interest on the net defined benefit liability/(asset)	2,068	(51)	124	2,141
Actual return on fund assets less interest income	(929)	(132)	(127)	(1,188)
Actuarial (gains)/losses arising from changes in financial assumptions	2,622	287	9	2,918
Actuarial (gains)/losses from liability experience	(2,205)	67	33	(2,105)
Employer contributions	(12,919)	(318)	-	(13,237)
Actuarial (gains)/losses arising from changes in demographic assumptions	-	-	-	-
(Gains)/losses arising from settlements	-	-	-	-
<b>Net defined benefit liability/(asset) at end of year</b>	<b>153,170</b>	<b>(3,407)</b>	<b>9,454</b>	<b>159,217</b>

**Transport Service of New South Wales**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**7. Employee benefits (cont'd)**

**Defined benefit superannuation overview for STA Employment Group (cont'd)**

• **Reconciliation of the net defined benefit liability/(asset) - Para 140(a) (cont'd)**

<b>Year ended 30 June 2019</b>	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>	<b>Total \$'000</b>
Net defined benefit liability/(asset) at start of year	153,043	(2,697)	6,620	156,966
Current service cost	2,534	646	-	3,180
Net interest on the net defined benefit liability/(asset)	3,867	(83)	175	3,959
Actual return on fund assets less interest income	(6,571)	(757)	(696)	(8,024)
Actuarial (gains)/losses arising from changes in financial assumptions	31,759	903	3,508	36,170
Actuarial (gains)/losses from liability experience	822	(154)	(192)	476
Employer contributions	(14,250)	(852)	-	(15,102)
Actuarial (gains)/losses arising from changes in demographic assumptions	86	(1)	-	85
(Gains)/losses arising from settlements	(8,137)	(690)	-	(8,827)
<b>Net defined benefit liability/(asset) at end of year</b>	<b>163,153</b>	<b>(3,685)</b>	<b>9,415</b>	<b>168,883</b>

• **Reconciliation of the fair value of fund assets – Para 140(a)(i)**

<b>Year ended 30 June 2020</b>	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>	<b>Total \$'000</b>
Fair value of fund assets at the beginning of the year	108,528	15,333	13,234	137,095
Interest income	1,387	193	169	1,749
Actual return on fund assets less interest income	929	132	127	1,188
Employer contributions	12,919	318	-	13,237
Contributions by participants	924	-	-	924
Benefits paid	(18,306)	(1,685)	(891)	(20,882)
Taxes, premiums & expenses paid	(2,088)	(168)	45	(2,211)
Settlements*	-	-	-	-
<b>Fair value of fund assets at end of the year</b>	<b>104,293</b>	<b>14,123</b>	<b>12,684</b>	<b>131,100</b>

<b>Year ended 30 June 2019</b>	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>	<b>Total \$'000</b>
Fair value of fund assets at the beginning of the year	146,395	20,259	12,970	179,624
Interest income	3,709	510	331	4,550
Actual return on fund assets less interest income	6,571	757	696	8,024
Employer contributions	14,250	852	-	15,102
Contributions by participants	1,488	-	-	1,488
Benefits paid	(30,021)	(3,538)	(875)	(34,434)
Taxes, premiums & expenses paid	(1,517)	(24)	112	(1,429)
Settlements*	(32,347)	(3,483)	-	(35,830)
<b>Fair value of fund assets at end of the year</b>	<b>108,528</b>	<b>15,333</b>	<b>13,234</b>	<b>137,095</b>



# Transport Service of New South Wales

## Notes to the financial statements

for the year ended 30 June 2020

### 7. Employee benefits (cont'd)

#### Defined benefit superannuation overview for STA Employment Group (cont'd)

- Reconciliation of the defined benefit obligation – Para 140(a)(ii)

Year ended 30 June 2020	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Present value of defined benefit obligation at beginning of the year	271,681	11,648	22,649	305,978
Current service cost	1,380	425	-	1,805
Interest cost	3,455	142	293	3,890
Contributions by participants	924	-	-	924
Actuarial (gains)/losses arising from changes in demographic assumptions	-	-	-	-
Actuarial (gains)/losses arising from changes in financial assumptions	2,622	287	9	2,918
Actuarial (gains)/losses arising from liability experience	(2,205)	67	33	(2,105)
Benefits paid	(18,306)	(1,685)	(891)	(20,882)
Taxes, premiums & expenses paid	(2,088)	(168)	45	(2,211)
Settlements*	-	-	-	-
<b>Present value of defined benefit obligations at end of the year</b>	<b>257,463</b>	<b>10,716</b>	<b>22,138</b>	<b>290,317</b>

Year ended 30 June 2019	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Present value of defined benefit obligation at beginning of the year	299,438	17,563	19,589	336,590
Current service cost	2,534	646	-	3,180
Interest cost	7,576	426	507	8,509
Contributions by participants	1,488	-	-	1,488
Actuarial (gains)/losses arising from changes in demographic assumptions	86	(1)	-	85
Actuarial (gains)/losses arising from changes in financial assumptions	31,759	903	3,508	36,170
Actuarial (gains)/losses arising from liability experience	822	(154)	(192)	476
Benefits paid	(30,021)	(3,538)	(875)	(34,434)
Taxes, premiums & expenses paid	(1,517)	(24)	112	(1,429)
Settlements*	(40,484)	(4,173)	-	(44,657)
<b>Present value of defined benefit obligations at end of the year</b>	<b>271,681</b>	<b>11,648</b>	<b>22,649</b>	<b>305,978</b>

# Transport Service of New South Wales

## Notes to the financial statements

for the year ended 30 June 2020

### 7. Employee benefits (cont'd)

#### Defined benefit superannuation overview for STA Employment Group (cont'd)

- Fair value of fund assets - Para 142

All Pooled Fund assets are invested by SAS Trustee Corporation (STC) at arm's length through independent fund managers, assets are not separately invested for each entity and it is not possible or appropriate to disaggregate and attribute fund assets to individual entities. As such, the disclosures below relate to total assets of the Pooled Fund.

Year ended 30 June 2020	Total	Quoted prices in active markets for identical assets	Significant observable inputs	Unobservable inputs
	\$'M	\$'M	\$'M	\$'M
Short term securities	4,097	1,890	2,207	-
Australian fixed interest	1,067	-	1,067	-
International fixed interest	1,909	30	1,879	-
Australian equities	7,294	6,902	392	-
International equities	11,950	11,487	463	-
Property	3,353	645	16	2,692
Alternatives	10,522	23	4,337	6,162
<b>Total</b>	<b>40,192</b>	<b>20,977</b>	<b>10,361</b>	<b>8,854</b>

Year ended 30 June 2019	Total	Quoted prices in active markets for identical assets	Significant observable inputs	Unobservable inputs
	\$'M	\$'M	\$'M	\$'M
Short term securities	4,043	2,136	1,907	-
Australian fixed interest	2,295	5	2,290	-
International fixed interest	1,968	7	1,952	9
Australian equities	8,369	7,818	548	3
International equities	11,387	8,795	2,592	-
Property	3,589	699	717	2,173
Alternatives	10,558	327	5,758	4,473
<b>Total</b>	<b>42,209</b>	<b>19,787</b>	<b>15,764</b>	<b>6,658</b>

**Transport Service of New South Wales**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**7. Employee benefits (cont'd)**

**Defined benefit superannuation overview for STA Employment Group (cont'd)**

• **Fair value of fund assets - Para 142 (cont'd)**

The percentage invested in each asset class at the reporting date is:

	<b>2020</b>	<b>2019</b>
	<b>%</b>	<b>%</b>
Short term securities	10.2	9.6
Australian fixed interest	2.7	5.4
International fixed interest	4.8	4.7
Australian equities	18.1	19.8
International equities	29.7	27.0
Property	8.3	8.5
Alternatives	26.2	25.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

Level 1 - quoted prices in active markets for identical assets or liabilities. The assets in this level are listed shares; listed unit trusts.

Level 2 - inputs other than quoted prices observable for the asset or liability either directly or indirectly. The assets in this level are cash; notes; government, semi-government and corporate bonds; unlisted trusts where quoted prices are available in active markets for identical assets or liabilities.

Level 3 - inputs for the asset or liability that are not based on observable market data. The assets in this level are unlisted property; unlisted shares; unlisted infrastructure; distressed debt; hedge funds.

Derivatives, including futures and options, can be used by investment managers. However, each manager's investment mandate clearly states that derivatives may only be used to facilitate efficient cashflow management or to hedge the portfolio against market movements and cannot be used for speculative purposes or gearing of the investment portfolio. As such managers make limited use of derivatives.

**Fair value of entity's own financial instruments – Para 143**

The fair value of the pooled fund assets as at 30 June 2020 include \$36.9 million in NSW government bonds.

Of the direct properties owned by the Pooled Fund:

- SAS Trustee Corporation occupies part of a property 100% owned by the Pooled Fund with a fair value of \$340.0 million (30 June 2019: \$316.0 million).
- Health Administration Corporation occupies part of a property 50% owned by the Pooled Fund with a fair value (100% interest) of \$343.0 million (30 June 2019: \$331.0 million).

• **Significant actuarial assumptions at the reporting date - Para 144**

	<b>2020</b>	<b>2019</b>
Discount rate	0.87% pa	1.32% pa
Salary increase rate (excluding promotional increases)	3.2% pa	3.2% pa
Rate of CPI increase	1.00% for 2019/20; 0.25% for 2020/21; 1.50% for 2021/22; 1.25% for 2022/23; 1.75% for 2023/24; 2.00% for 2024/25 and 2025/26; 2.25% pa to 2029/30; 2.50% pa thereafter	1.75% for 2018/19 and 2019/20, 2.00% for 2020/21; 2.25% for 2021/22 and 2022/23; 2.50% pa thereafter.
Pensioner mortality	as per the 2018 Actuarial Investigation of the Pooled Fund.	as per the 2018 Actuarial Investigation of the Pooled Fund.

**Transport Service of New South Wales**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**7. Employee benefits (cont'd)**

**Defined benefit superannuation overview for STA Employment Group (cont'd)**

• **Sensitivity analysis – Para 145**

The entity's total defined benefit obligation as at 30 June 2020 under several scenarios is presented below. The total defined benefit obligation disclosed is inclusive of the contribution tax provision which is calculated based on the asset level at 30 June 2020.

Scenarios A to F relate to sensitivity of the total defined benefit obligation to economic assumptions, and scenarios G and H relate to sensitivity to demographic assumptions.

<b>Year ended 30 June 2020</b>	<b>Base case</b>	<b>Scenario A -0.5 % discount rate</b>	<b>Scenario B +0.5% discount rate</b>
Discount rate	as above	as above less 0.05% pa	as above plus 0.05% pa
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A\$'000)	290,317	306,985	275,195
	<b>Base case</b>	<b>Scenario C +0.5% rate of CPI increase</b>	<b>Scenario D -0.5% rate of CPI increase</b>
Discount rate	as above	as above	as above
Rate of CPI increase	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A\$'000)	290,317	304,598	277,236
	<b>Base case</b>	<b>Scenario E +0.5% rate of salary increase</b>	<b>Scenario F -0.5% rate of salary increase</b>
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Defined benefit obligation (A\$'000)	290,317	292,348	288,349
	<b>Base case</b>	<b>Scenario G Lower mortality rates*</b>	<b>Scenario H Higher mortality rates**</b>
Defined benefit obligation (A\$'000)	290,317	295,289	287,178

\*Assumes the short term pensioner mortality improvement factors for years 2020 to 2023 also apply for years after 2023.

\*\*Assumes the long term pensioner mortality improvement factors for years post 2023 also apply for years 2020 to 2023.

The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other assumptions.

**Transport Service of New South Wales**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**7. Employee benefits (cont'd)**

**Defined benefit superannuation overview for STA Employment Group (cont'd)**

• **Sensitivity analysis – Para 145 (cont'd)**

The entity's total defined benefit obligation as at 30 June 2019 under several scenarios is presented below. The total defined benefit obligation disclosed is inclusive of the contribution tax provision which is calculated based on the asset level at 30 June 2019.

Scenarios A to F relate to sensitivity of the total defined benefit obligation to economic assumptions, and scenarios G and H relate to sensitivity to demographic assumptions.

<b>Year ended 30 June 2019</b>	<b>Base case</b>	<b>Scenario A -1% discount rate</b>	<b>Scenario B +1% discount rate</b>
	as above	as above less	as above plus
Discount rate		1.0% pa	1.0% pa
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A\$'000)	305,978	342,738	275,776
	<b>Base case</b>	<b>Scenario C +0.5% rate of CPI increase</b>	<b>Scenario D -0.5% rate of CPI increase</b>
Discount rate	as above	as above	as above
Rate of CPI increase	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A\$'000)	305,978	320,706	292,495
	<b>Base case</b>	<b>Scenario E +0.5% rate of salary increase</b>	<b>Scenario F -0.5% rate of salary increase</b>
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Defined benefit obligation (A\$'000)	305,978	308,307	303,724
	<b>Base case</b>	<b>Scenario G Higher mortality rates*</b>	<b>Scenario H Lower mortality rates**</b>
Defined benefit obligation (A\$'000)	305,978	310,771	302,898

\*Assumes the short term pensioner mortality improvement factors for years 2019 to 2023 also apply for years after 2023.

\*\*Assumes the long term pensioner mortality improvement factors for years post 2023 also apply for years 2019 to 2023.

The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other assumptions.

## 7. Employee benefits (cont'd)

### Defined benefit superannuation overview for STA Employment Group (cont'd)

- Sensitivity analysis – Para 145 (cont'd)**

In light of the current environment due to Covid-19, there is increased volatility in terms of expected outcomes especially in the short to medium term. The information on sensitivities for Paragraph 145 provides a guide to how this could affect the defined benefit obligation.

For AASB 1056, separate sensitivities are not included. However, we note that the assumptions for CPI, Salary and demographics are broadly the same under both reporting standards. While the underlying liability amounts for AASB 1056 are lower than for AASB 119, the sensitivity of results under AASB 119 gives an indication to the directional and proportional impact of the changes in these assumptions.

The one assumption that differs substantially under the two standards is the expected rate of return on the fund assets (discount rate). Due to this variation and the potential for material variation in the rate of return on fund assets in current financial conditions, we have shown sensitivities to this assumption for the AASB 1056 results in the table below (results for 2019 shown for comparative purposes).

Scenarios A and B relate to sensitivity of the total accrued benefits figure shown in the AASB 1056 results.

<b>Year ended 30 June 2020</b>	<b>Base case</b>	<b>Scenario A -0.5 % discount rate</b>	<b>Scenario B +0.5% discount rate</b>
Expected rate of return on Fund assets backing current pension liabilities (discount rate)	7.0% pa	6.5% pa	7.5% pa
Expected rate of return on Fund assets backing other liabilities (discount rate)	6.0% pa	5.5% pa	6.5% pa
Rate of CPI increase	2.0% pa	as base case	as base case
Salary inflation rate	3.2% pa	as base case	as base case
Accrued benefit (A\$'000)	169,979	175,118	165,193

<b>Year ended 30 June 2019</b>	<b>Base case</b>	<b>Scenario A -0.5 % discount rate</b>	<b>Scenario B +0.5% discount rate</b>
Expected rate of return on Fund assets backing current pension liabilities (discount rate)	7.4% pa	6.9% pa	7.9% pa
Expected rate of return on Fund assets backing other liabilities (discount rate)	6.4% pa	5.9% pa	6.9% pa
Rate of CPI increase	2.2% pa	as base case	as base case
Salary inflation rate	3.2% pa	as base case	as base case
Accrued benefit (A\$'000)	178,014	183,254	173,136

- Asset-liability matching strategies - Para 146**

The Trustee monitors its asset-liability risk continuously in setting its investment strategy. It also monitors cashflows to manage liquidity requirements. No explicit asset-liability matching strategy is used by the Trustee.

# Transport Service of New South Wales

## Notes to the financial statements

for the year ended 30 June 2020

### 7. Employee benefits (cont'd)

#### Defined benefit superannuation overview for STA Employment Group (cont'd)

- Funding arrangements - Para 147(a)**

Funding arrangements are reviewed at least every three years following the release of the triennial actuarial review.

Contribution rates are set after discussions between the employer, STC and NSW Treasury.

Funding positions are reviewed annually and funding arrangements may be adjusted as required after each annual review.

- Surplus/deficit**

The following is a summary of the 30 June 2020 financial position of the Fund calculated in accordance with AASB 1056 "Superannuation Entities":

Year ended 30 June 2020	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Accrued benefits*	150,091	8,938	10,950	169,979
Net market value of fund assets	(104,293)	(14,123)	(12,684)	(131,100)
<b>Net (surplus)/deficit</b>	<b>45,798</b>	<b>(5,185)</b>	<b>(1,734)</b>	<b>38,879</b>

Year ended 30 June 2019	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Accrued benefits*	157,445	9,672	10,897	178,014
Net market value of fund assets	(108,528)	(15,333)	(13,234)	(137,095)
<b>Net (surplus)/deficit</b>	<b>48,917</b>	<b>(5,661)</b>	<b>(2,337)</b>	<b>40,919</b>

\*There is no allowance for a contribution tax provision within the Accrued Benefits figure for AASB 1056. Allowance for contributions tax is made when setting the contribution rates.

- Contribution recommendations**

Year ended 30 June 2020	SASS multiple of member contributions	SANCS % member salary	SSS multiple of member contributions
Recommended contributions rates were: STA Employment Group	2.2	2.5%	-
Year ended 30 June 2019	SASS multiple of member contributions	SANCS % member salary	SSS multiple of member contributions
Recommended contributions rates were: STA Employment Group	2.2	2.5%	-

**Transport Service of New South Wales**  
**Notes to the financial statements**  
for the year ended 30 June 2020

## 7. Employee benefits (cont'd)

### Defined benefit superannuation overview for STA Employment Group (cont'd)

- Economic assumptions**

The economic assumptions adopted for the 30 June 2020 AASB 1056 "Superannuation entities":

<b>Weighted-average assumptions</b>	<b>2020 % p.a.</b>	<b>2019 % p.a.</b>
Expected rate of return on fund assets backing current pension liabilities	7.0% pa	7.4% pa
Expected rate of return on fund assets backing other liabilities	6.0% pa	6.4% pa
Expected salary increase rate (excluding promotional salary increases)	3.2% pa	3.2% pa
Expected rate of CPI increase	2.0% pa	2.2% pa

- Expected contributions - Para 147(b)**

<b>Year ended 30 June 2020</b>	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>	<b>Total \$'000</b>
Expected employer contributions	1,748	285	-	2,033
<b>Year ended 30 June 2019</b>	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>	<b>Total \$'000</b>
Expected employer contributions	2,033	327	-	2,360

- Maturity profile of defined benefit obligation - Para 147(c)**

The weighted average duration of the defined benefit obligation is 10.7 years.

- Profit or loss impact**

<b>Year ended 30 June 2020</b>	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>	<b>Total \$'000</b>
Current service cost	1,380	425	-	1,805
Net interest	2,068	(51)	124	2,141
(Gains)/Loss on settlement	-	-	-	-
<b>Defined benefit cost</b>	<b>3,448</b>	<b>374</b>	<b>124</b>	<b>3,946</b>
<b>Year ended 30 June 2019</b>	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>	<b>Total \$'000</b>
Current service cost	2,534	646	-	3,180
Net interest	3,867	(83)	175	3,959
(Gains)/Loss on settlement	(8,137)	(690)	-	(8,827)
<b>Defined benefit cost</b>	<b>(1,736)</b>	<b>(127)</b>	<b>175</b>	<b>(1,688)</b>



**Transport Service of New South Wales**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**7. Employee benefits (cont'd)**

**Defined benefit superannuation overview for STA Employment Group (cont'd)**

• **Other comprehensive income**

<b>Year ended 30 June 2020</b>	<b>SASS</b>	<b>SANCS</b>	<b>SSS</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Actuarial (gains)/losses on liabilities	417	354	42	813
Actual return on fund asset less interest income	(929)	(132)	(127)	(1,188)
<b>Total remeasurement in other comprehensive income</b>	<b>(512)</b>	<b>222</b>	<b>(85)</b>	<b>(375)</b>

<b>Year ended 30 June 2019</b>	<b>SASS</b>	<b>SANCS</b>	<b>SSS</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Actuarial (gains)/losses on liabilities	32,667	748	3,316	36,731
Actual return on fund assets less interest income	(6,571)	(757)	(696)	(8,024)
<b>Total remeasurement in other comprehensive income</b>	<b>26,096</b>	<b>(9)</b>	<b>2,620</b>	<b>28,707</b>

**8. Reconciliation of net cash flows from operating activities to net result**

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Net cash flows from operating activities	7,301	5,011
Non cash acceptance by the Crown Entity of employee entitlements	80,668	108,738
Non cash expense (long service leave and superannuation assumed by the Crown Entity)	(80,668)	(108,738)
Actuarial losses/(gains)	(375)	28,707
Increase/(decrease) in receivables	19,569	8,372
Increase in payables	9,171	(8,357)
(Increase)/decrease in employee benefits	(36,041)	(5,026)
<b>Net result</b>	<b>(375)</b>	<b>28,707</b>

**Transport Service of New South Wales**  
**Notes to the financial statements**  
for the year ended 30 June 2020

## 9. Financial instruments

The reporting entity's principal financial instruments are outlined below. These financial instruments arise directly from the reporting entity's operations or are required to finance the reporting entity's operations.

The reporting entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The operational activities of the reporting entity do not expose it to a variety of financial risks such as credit, liquidity or market risk. The main risks arising from any financial instrument of the reporting entity are outlined below together with the reporting entity's objectives, policies and processes for measuring and managing the risks.

Further quantitative and qualitative disclosures are included throughout these financial statements.

The Secretary of the reporting entity has overall responsibility for the establishment and oversight of risk management and review and determines policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the reporting entity, to set limits and to monitor risks. Compliance with these policies is reviewed by the entity on a continuous basis.

### (a) Financial instrument categories

			Carrying amount 2020 \$'000	Carrying amount 2019 \$'000
	Note	Category		
<b>Financial assets</b>				
<b>Class:</b>				
Cash and cash equivalents	4	N/A	50,647	43,346
Receivables <sup>1</sup>	5	Financial assets (at amortised cost)	493,019	473,450
			<b>543,666</b>	<b>516,796</b>
			<b>2020</b>	<b>2019</b>
			<b>\$'000</b>	<b>\$'000</b>
<b>Financial liabilities</b>				
<b>Class:</b>				
Payables <sup>2</sup>	6	Financial liabilities (at amortised cost)	22,267	31,641
			<b>22,267</b>	<b>31,641</b>

<sup>1</sup> Excludes statutory receivables and prepayments (i.e. not within scope of AASB7)

<sup>2</sup> Excludes statutory payables and unearned revenue (i.e. not within scope of AASB7)

### (b) Derecognition of financial assets and financial liabilities

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire; or if Transport Service transfers the financial assets:

- where substantially all the risks and rewards have been transferred; or
- where Transport Service has not transferred substantially all the risks and rewards, if the reporting entity has not retained control.

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

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

**Transport Service of New South Wales**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**9. Financial instruments (cont'd)**

**(c) Credit risk**

Credit risk arises where a debtor or counterparty does not complete their obligations, resulting in financial loss to Transport Service.

Credit risk can arise from financial assets of the reporting entity, including cash and cash equivalents, deposits with banks and TCorp, as well as credit exposure to customers, including outstanding receivables and committed transactions.

Credit risk impacts on the following financial instruments which are discussed below:

**(i) Cash**

Cash comprises bank balances within the NSW Treasury Banking System.

**(ii) Receivables – personnel service receivables**

All personnel service receivables are recognised as amounts receivable at balance date. Personnel service receivables are employee related. All debtors are NSW government agencies and no debtor balances are considered impaired as 30 June 2020.

**(d) Liquidity risk**

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

During the current and prior year, there were no defaults of loans payable and no assets have been pledged as collateral.

	Weighted average effective int. rate (%)	Interest rate exposure				Maturity dates		
		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
2020 Payables:								
Accrued salaries, wages and on-costs	-	18,027	-	-	18,027	18,027	-	-
Other creditors	-	5	-	-	5	5	-	-
<b>Payables</b>	-	<b>18,032</b>	-	-	<b>18,032</b>	<b>18,032</b>	-	-
<b>Total</b>	-	<b>18,032</b>	-	-	<b>18,032</b>	<b>18,032</b>	-	-
2019 Payables:								
Accrued salaries, wages and on-costs	-	19,038	-	-	19,038	19,038	-	-
Other creditors	-	5	-	-	5	5	-	-
<b>Payables</b>	-	<b>19,043</b>	-	-	<b>19,043</b>	<b>19,043</b>	-	-
<b>Total</b>	-	<b>19,043</b>	-	-	<b>19,043</b>	<b>19,043</b>	-	-

**(e) 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. The entity has no exposure to foreign currency risk and does not enter into commodity contracts.

## **9. Financial instruments (cont'd)**

### **(f) Fair value compared to carrying amount**

Financial instruments are recognised at amortised cost. The carrying value of financial instruments recognised in the statement of financial position approximates the fair value, because of the short-term nature of many of the financial instruments.

## **10. Related party disclosures**

### **(a) Key management personnel compensation**

All of the entity's key management personnel compensation are borne by Transport for NSW.

### **(b) Transactions with government related entities during the financial year**

All transactions and outstanding balances in these financial statements relate to the entity's function as provider of personnel services to Transport for NSW, Sydney Trains, NSW Trains, Sydney Metro, STA and the former RMS. Transport Service and these fellow entities are members of the Department of Transport consolidated entity group.

Long service leave and defined benefit superannuation scheme expenses relating to Transport for NSW, the former RMS and all senior executives were assumed by the Crown; while the Pooled Fund held in trust the investment relating to the closed NSW public sector superannuation schemes.

### **(c) Transactions and outstanding balances with other related parties during the financial year**

There were no transactions or outstanding balances with other related parties during the financial year (2019: no transactions or outstanding balances).

## **11. Contingent liabilities and contingent assets**

Transport Service had no contingent liabilities or contingent assets at 30 June 2020 or 30 June 2019.

## **12. After balance date events**

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

**End of audited financial statements.**



## INDEPENDENT AUDITOR'S REPORT

### Transport Service of New South Wales

To Members of the New South Wales Parliament

#### Opinion

I have audited the accompanying financial statements of Transport Service of New South Wales (the Service), which comprise the Statement of comprehensive income for the year ended 30 June 2020, the Statement of financial position as at 30 June 2020, the Statement of changes in equity and the Statement of cash flows 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 the Service as at 30 June 2020, 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 the Service 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 (including Independence Standards)' (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.

#### Other Information

The Service's annual report for the year ended 30 June 2020 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Secretary of the Service is responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the Statement by the Secretary.

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

## **The Secretary's Responsibilities for the Financial Statements**

The Secretary is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Secretary determines is 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 Secretary is responsible for assessing the Service's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting.

## **Auditor's Responsibilities 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](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

- that the Service carried out its activities effectively, efficiently and economically
- 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.



Somaiya Ahmed  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

2 October 2020  
SYDNEY



# **Sydney Ferries**

Annual Financial Statements

for the year ended 30 June 2020

## Table of contents

---

Statement by the Chief Executive.....	2
Statement of comprehensive income .....	3
Statement of financial position.....	4
Statement of changes in equity .....	5
Statement of cash flows .....	6
1. Summary of significant accounting policies .....	7
2. Expenses excluding losses .....	14
3. Revenue .....	15
4. Other gains/(losses).....	18
5. Cash and cash equivalents.....	18
6. Receivables .....	18
7. Property, plant and equipment.....	20
8. Intangible assets .....	26
9. Leases .....	26
10. Fair value measurement of non-financial assets.....	32
11. Payables .....	35
12. Borrowings.....	35
13. Other provisions.....	36
14. Other liabilities .....	36
15. Equity and reserves .....	37
16. Commitments.....	37
17. Contingent liabilities .....	37
18. Reconciliation of operating result to net cash from operating activities.....	38
19. Financial instruments .....	39
20. Related party disclosure .....	43
21. After balance date events .....	43



**Sydney Ferries**  
**Statement by the Chief Executive**  
for the year ended 30 June 2020

---

Pursuant to Sections 41C (1B) and (1C) of the *Public Finance and Audit Act 1983*, I declare that, in my opinion:

- 1) The accompanying financial statements, exhibit a true and fair view of the financial position of Sydney Ferries as at 30 June 2020, and of its financial performance for the year ended on that date.
- 2) These financial statements have been prepared in accordance with the provisions of the applicable Australian Accounting Standards, including Australian Accounting Interpretations, and other mandatory and statutory reporting requirements, including the *Public Finance and Audit Act 1983*, the Public Finance and Audit Regulation 2015 and NSW Treasurer's Directions.

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



**Elizabeth Mildwater**  
**Acting Chief Executive**

**30 September 2020**

**Sydney Ferries**  
**Statement of comprehensive income**  
for the year ended 30 June 2020

		<b>2020</b>	<b>2019</b>
	<b>Notes</b>	<b>Actual \$'000</b>	<b>Actual \$'000</b>
<b>Expenses excluding losses</b>			
Operating expenses			
Other operating expenses	2(a)	1,236	3,413
Depreciation and amortisation	2(b)	13,245	12,043
Finance costs	2(c)	12	-
<b>Total expenses excluding losses</b>		<b>14,493</b>	<b>15,456</b>
<b>Revenue</b>			
Operational revenue	3(a)	8,111	6,352
Investment revenue	3(b)	317	586
Grants and contributions	3(c)	-	3,984
Other revenue	3(d)	1,819	6,332
<b>Total revenue</b>		<b>10,247</b>	<b>17,254</b>
Other gains/(losses)	4	1,670	(16,510)
<b>Net result</b>		<b>(2,576)</b>	<b>(14,712)</b>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified to net result in subsequent periods</i>			
Changes in revaluation surplus of property, plant and equipment	7(b)	1,361	-
<b>Total other comprehensive income</b>		<b>1,361</b>	<b>-</b>
<b>Total comprehensive income</b>		<b>(1,215)</b>	<b>(14,712)</b>

The accompanying notes form part of these financial statements.

**Sydney Ferries**  
**Statement of financial position**  
as at 30 June 2020

	Notes	Actual 2020 \$'000	Actual 2019 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	50,978	45,186
Receivables	6	370	734
<b>Total current assets</b>		<b>51,348</b>	<b>45,920</b>
<b>Non-current assets</b>			
Property, plant and equipment	7	77,632	84,457
Intangible assets	8	27,100	23,835
Right of use assets	9	566	-
<b>Total non-current assets</b>		<b>105,298</b>	<b>108,292</b>
<b>Total assets</b>		<b>156,646</b>	<b>154,212</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	11	4,592	1,780
Borrowings	12	74	-
Other provisions	13	637	-
Other liabilities	14	2,274	2,657
<b>Total current liabilities</b>		<b>7,577</b>	<b>4,437</b>
<b>Non-current liabilities</b>			
Borrowings	12	509	-
<b>Total non-current liabilities</b>		<b>509</b>	<b>-</b>
<b>Total liabilities</b>		<b>8,086</b>	<b>4,437</b>
<b>Net assets</b>		<b>148,560</b>	<b>149,775</b>
<b>EQUITY</b>			
Accumulated funds		141,072	143,648
Reserves		7,488	6,127
<b>Total equity</b>		<b>148,560</b>	<b>149,775</b>

The accompanying notes form part of these financial statements.

**Sydney Ferries**  
**Statement of changes in equity**  
for the year ended 30 June 2020

	Accumulated funds \$ '000	Asset revaluation surplus \$ '000	Total equity \$ '000
<b>Balance at 1 July 2019</b>	<b>143,648</b>	<b>6,127</b>	<b>149,775</b>
<b>Net result for the year</b>	<b>(2,576)</b>	<b>-</b>	<b>(2,576)</b>
<b>Other comprehensive income</b>			
Net increase in asset revaluation surplus	-	1,361	1,361
<b>Total other comprehensive income</b>	<b>-</b>	<b>1,361</b>	<b>1,361</b>
<b>Total comprehensive income for the year</b>	<b>(2,576)</b>	<b>1,361</b>	<b>(1,215)</b>
<b>Balance at 30 June 2020</b>	<b>141,072</b>	<b>7,488</b>	<b>148,560</b>
<b>Balance at 1 July 2018</b>	<b>158,360</b>	<b>6,127</b>	<b>164,487</b>
<b>Net result for the year</b>	<b>(14,712)</b>	<b>-</b>	<b>(14,712)</b>
<b>Total comprehensive income for the year</b>	<b>(14,712)</b>	<b>-</b>	<b>(14,712)</b>
<b>Balance at 30 June 2019</b>	<b>143,648</b>	<b>6,127</b>	<b>149,775</b>

The accompanying notes form part of these financial statements.

**Sydney Ferries**  
**Statement of cash flows**  
for the year ended 30 June 2020

	Notes	Actual 2020 \$'000	Actual 2019 \$'000
<b>Cash flows from operating activities</b>			
<b>Payments</b>			
Payments to former employees		(585)	(470)
Finance costs		(12)	-
Payments to suppliers		(2,473)	(2,651)
<b>Total payments</b>		<b>(3,070)</b>	<b>(3,121)</b>
<b>Receipts</b>			
Operational revenue		9,505	6,405
Interest received		317	586
Grants and contributions		-	3,984
<b>Total receipts</b>		<b>9,822</b>	<b>10,975</b>
<b>Net cash flows from operating activities</b>	18	<b>6,752</b>	<b>7,854</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment and intangible assets		(891)	(422)
<b>Net cash flows from investing activities</b>		<b>(891)</b>	<b>(422)</b>
<b>Cash flows from financing activities</b>			
Payment of principal portion of lease liabilities		(69)	-
<b>Net cash flows from financing activities</b>		<b>(69)</b>	<b>-</b>
<b>Net increase in cash</b>		<b>5,792</b>	<b>7,432</b>
Opening cash and cash equivalents		45,186	37,754
<b>Closing cash and cash equivalents</b>	5	<b>50,978</b>	<b>45,186</b>

The accompanying notes form part of these financial statements.

## **1. Summary of significant accounting policies**

### **(a) Reporting entity**

Sydney Ferries is a statutory corporation established by the *Transport Administration Act 1988*. Sydney Ferries is a “statutory authority” for the purposes of the *Public Finance and Audit Act 1983* and is a controlled entity of Transport for NSW.

Transport for NSW is a controlled entity of the Department of Transport which is consolidated as part of the NSW Total State Sector (ultimate parent).

Sydney Ferries was initially established to deliver public ferry services in Sydney. On 3 May 2012 the Minister for Transport announced that Harbour City Ferries (HCF) was awarded a contract to operate ferry services on Port Jackson and the Parramatta River for seven years under a new Ferry System Contract between HCF and Transport for NSW. The contract commenced on 28 July 2012. On 27 February 2019, the Minister for Transport and Infrastructure announced that Transdev (formerly operating as Harbour City Ferries) was awarded the contract to continue operating ferry services in Sydney from 28 July 2019. Transdev leases the vessels, land and buildings from Sydney Ferries. The initial contract term is for 9 years, with options for termination at year 5 and at year 8 at TfNSW discretion.

Rail Corporation New South Wales (RailCorp) transitioned into Transport Asset Holding Entity (TAHE) on 1 July 2020. TAHE may eventually hold additional public transport assets for the State, including ferry vessel assets currently held by Sydney Ferries. The transfer of assets is intended to occur progressively over a number of years if a decision is made to transfer Sydney Ferries assets into TAHE.

The financial statements were authorised for issue by the Acting Chief Executive on the date on which the accompanying Statement by the Chief Executive was signed.

### **(b) Basis of preparation**

The financial statements of Sydney Ferries have been prepared as general purpose financial statements on an accrual basis in accordance with:

- applicable Australian Accounting Standards and Interpretations;
- the requirements of the *Public Finance and Audit Act 1983* and the Public Finance and Audit Regulation 2015; and
- NSW Treasurer’s Directions issued under the *Public Finance and Audit Act 1983*.

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

### **(c) Statement of compliance**

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

### **(d) Basis of measurement**

These financial statements have been prepared under the historical cost convention except for certain classes of property, plant and equipment and intangible assets, which are measured at fair value.

### **(e) Use of estimates and judgements**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimate are recognised in the period in which the estimate is revised and in any future periods affected.

## **1. Summary of significant accounting policies (cont'd)**

### **(e) Use of estimates and judgements (cont'd)**

The judgements, key assumptions and estimates management has made are disclosed in the relevant notes to the financial statements.

#### **(i) Critical judgements in applying the accounting policies:**

##### **Determination of for-profit or not-for-profit**

Sydney Ferries is a not-for-profit entity as profit is not its principal objective.

##### **Going concern**

The financial statements have been prepared on a going concern basis which assumes that payment of liabilities will be met, as and when they fall due, without any intention or necessity to liquidate assets or otherwise wind up operations.

### **(f) Taxes**

#### **(i) Accounting for Goods and Services Tax (GST)**

In relation to GST, revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred by Sydney Ferries as a purchaser is not recoverable from the Australian Taxation Office. In such cases, the GST incurred is recognised as part of the cost of acquisition of an asset or as part of an item of expense.

Receivables and payables 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 activities which is recoverable or payable to the Australian Taxation Office are classified as operating cash flows.

#### **(ii) Income Tax**

NSW Treasury has advised that Sydney Ferries is exempt from the Tax Equivalent Regime for Government Businesses (Treasury Policy Paper 03-4). Accordingly, tax effect accounting is not prepared.

#### **(iii) State taxes**

Sydney Ferries is exempt from land tax.

### **(g) Comparatives**

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements.

### **(h) Allocation between current and non-current assets and liabilities**

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the ensuing 12 months, being Sydney Ferries' operational cycle. In the case of liabilities where Sydney Ferries does not have the unconditional right to defer settlement beyond 12 months, such as vested long service leave, the liability is classified as current even if not expected to be settled within the next 12 months.

## **1. Summary of significant accounting policies (cont'd)**

### **(i) Changes in accounting policy, including new or revised Australian Accounting Standards**

#### **(i) Effective for the first time in 2020**

Sydney Ferries has adopted AASB 15 *Revenue from contracts with customers*, AASB 1058 *Income for not-for-profit entities*, and AASB 16 *Leases* for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in FY2019-20, but do not have an impact on the financial statements of Sydney Ferries.

#### **(a) AASB 15 *Revenue from contracts with customers***

AASB 15 supersedes AASB 111 *Construction Contracts*, AASB 118 *Revenue* and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

AASB 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures.

In accordance with the transition provisions in AASB 15, Sydney Ferries has adopted AASB 15 retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application, i.e. 1 July 2019. Sydney Ferries has used the transitional practical expedient permitted by the standard to reflect the aggregate effect of all of the modifications that occur before 1 July 2018 when:

- identifying the satisfied and unsatisfied performance obligations
- determining the transaction price
- allocating the transaction price to the satisfied and unsatisfied performance obligations.

The impact of applying the above practical expedients is not expected to significantly affect the financial statements.

The adoption of AASB 15 did not have a significant impact on the financial statements of Sydney Ferries.

#### **(b) AASB 1058 *Income of not-for-profit entities***

AASB 1058 replaces most of the existing requirements in AASB 1004 *Contributions*. The scope of AASB 1004 is now limited mainly to contributions by owners (including parliamentary appropriations that satisfy the definition of a contribution by owners), administrative arrangements and liabilities of government departments assumed by other entities.

AASB 1058 applies to income with a donation component, i.e. transactions where the consideration to acquire an asset is significantly less than fair value principally to enable a not-for-profit entity to further its objectives; and volunteer services. AASB 1058 adopts a residual approach, meaning that entities first apply other applicable Australian Accounting Standards (e.g. AASB 1004, AASB 15, AASB 16, AASB 9, AASB 137) to a transaction before recognising income.

Not-for-profit entities need to determine whether a transaction is/contains a donation (accounted for under AASB 1058) or a contract with a customer (accounted for under AASB 15).



## **1. Summary of significant accounting policies (cont'd)**

### **(i) Changes in accounting policy, including new or revised Australian Accounting Standards (cont'd)**

#### **(i) Effective for the first time in 2020 (cont'd)**

##### **(b) AASB 1058 *Income of not-for-profit entities* (cont'd)**

AASB 1058 requires recognition of receipt of an asset, after the recognition of any related amounts in accordance with other Australian Accounting Standards, as income:

- when the obligations under the transfer is satisfied, for transfers to enable an entity to acquire or construct a recognisable non-financial asset that will be controlled by the entity.
- immediately, for all other income within the scope of AASB 1058.

In accordance with the transition provisions in AASB 1058, Sydney Ferries has adopted AASB 1058 retrospectively with the cumulative effect of initially applying the standard to be recognised at the date of initial application i.e. 1 July 2019. The impact of adopting AASB 1058 is not expected to be significantly affect the financial statements.

##### **(c) AASB 16 *Leases***

AASB 16 supersedes AASB 117 *Leases*, Interpretation 4 *Determining whether an Arrangement contains a Lease*, Interpretation 115 *Operating Leases – Incentives* and Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

#### **Lessor accounting**

Lessor accounting under AASB 16 is substantially unchanged from AASB 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in AASB 117. Therefore, AASB 16 does not have a significant impact for leases where Sydney Ferries is the lessor.

#### **Lessee accounting**

AASB 16 requires the entity to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under AASB 117. As the lessee, Sydney Ferries recognises a lease liability and right of use asset at the inception of the lease. The lease liability is measured at the present value of the future lease payments, discounted using the interest rate implicit in the lease, or the lessee's incremental borrowing rate if the interest rate implicit in the lease cannot be readily determined. The corresponding right of use asset is measured at the value of the lease liability adjusted for lease payments before inception, lease incentives, initial direct costs and estimates of costs for dismantling and removing the asset or restoring the site on which it is located.

Sydney Ferries has adopted the partial retrospective option in AASB 16, where the cumulative effect of initially applying AASB 16 is recognised on 1 July 2019 and the comparatives for the year ended 30 June 2019 are not restated.

In relation to leases that had previously been classified as 'operating leases' under AASB 117, a lease liability is recognised at 1 July 2019 at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 2.00%.

The corresponding right of use asset is initially recorded on transition at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at

## 1. Summary of significant accounting policies (cont'd)

### (i) Changes in accounting policy, including new or revised Australian Accounting Standards (cont'd)

#### (i) Effective for the first time in 2020 (cont'd)

##### (c) AASB 16 Leases (cont'd)

30 June 2019. The exception is right of use assets that are subject to accelerated depreciation. These assets are measured at their fair value at 1 July 2019.

For leases previously classified as finance leases Sydney Ferries recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of AASB 16 are only applied after that date.

Sydney Ferries elected to use the practical expedient to expense lease payments for lease contracts that, at their commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is valued at \$10,000 or under when new (low-value assets).

In applying AASB 16 for the first time, Sydney Ferries has used the following practical expedients permitted by the standard:

- not reassess whether a contract is, or contains, a lease at 1 July 2019, for those contracts previously assessed under AASB 117 and Interpretation 4.
- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on its previous assessment on whether leases are onerous immediately before the date of initial application as an alternative to performing an impairment review
- not recognise a lease liability and right of use asset for short-term leases that end within 12 months of the date of initial application
- excluding the initial direct costs from the measurement of the right of use asset at the date of initial application
- using hindsight in determining the lease term where the contract contained options to extend or terminate the lease

The effect of adoption of AASB 16 as at 1 July 2019 increase is as follows:

	<b>\$'000</b>
<b>Assets</b>	
Right of use assets	652
<b>Total assets</b>	652
<b>Liabilities</b>	
Borrowings	652
<b>Total liabilities</b>	652
<b>Equity</b>	
Accumulated funds	-
<b>Total equity</b>	-

## 1. Summary of significant accounting policies (cont'd)

### (i) Changes in accounting policy, including new or revised Australian Accounting Standards (cont'd)

#### (i) Effective for the first time in 2020 (cont'd)

#### (c) AASB 16 Leases (cont'd)

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of 30 June 2019, as follows:

	\$'000
Operating lease commitments as at 30 June 2019 (GST included)	649
(Less): GST included in operating lease commitments	(59)
Operating lease commitments as at 30 June 2019 (GST excluded)	590
Weighted average incremental borrowing rate as at 1 July 2019	2.00%
Add: adjustment relating to changes in the index or rate affecting the discount*	62
Discounted operating lease commitments as at 1 July 2019	652
<b>Lease liabilities as at 1 July 2019</b>	<b>652</b>

\* The adjustment of \$62K mainly reflects the difference in the weighted average incremental borrowing rate applied at 1 July 2019 (2.00%) compared with 30 June 2019 (2.45%). The weighted average incremental borrowing rate at 1 July 2019 is sourced from Treasury Corporation (TCorp).

#### (ii) New Australian Accounting Standards issued but not yet effective

Australian Accounting Standards and Interpretations that have been issued or revised but are not yet effective have not been early adopted in accordance with Treasury mandated policy.

The following new Australian Accounting Standards have not been applied and are not yet effective. The possible impact of these Standards in the period of initial application includes:

#### (a) AASB 1059 *Service Concession Arrangements: Grantors*

AASB 1059 *Service Concession Arrangements: Grantors* (AASB 1059) is effective for annual reporting periods commencing on or after 1 January 2020.

AASB 1059 addresses the accounting for a service concession arrangement by a grantor that is a public sector entity by prescribing the accounting for the arrangement from the grantor's perspective.

It applies to arrangements that involve an operator providing public services related to a service concession asset on behalf of a public sector grantor for a specified period of time and managing at least some of those services.

The Standard requires the grantor to:

- recognise a service concession asset constructed, developed or acquired from a third party by the operator;
- reclassify an existing asset as a service concession asset when it meets the criteria for recognition as a service concession asset;
- initially measure a service concession asset constructed, developed or acquired by the operator or reclassified by the grantor at current replacement cost in accordance with the cost approach to fair value in AASB 13 and subsequently measure it in accordance with AASB 116 or AASB 138; and
- recognise a corresponding liability measured initially at the fair value and subsequently at amortised cost/fair value depending on the nature of the liability.

## 1. Summary of significant accounting policies (cont'd)

### (i) Changes in accounting policy, including new or revised Australian Accounting Standards (cont'd)

#### (ii) New Australian Accounting Standards issued but not yet effective (cont'd)

##### (a) AASB 1059 *Service Concession Arrangements: Grantors* (cont'd)

Sydney Ferries has determined that Transdev's operation of ferry services in Sydney is a service concession arrangement with Sydney Ferries as the grantor. Sydney Ferries currently accounts for these arrangements under the respective accounting standards, primarily AASB 116 and AASB 138. From 1 July 2020, Sydney Ferries is required to reclassify estimated assets of \$105.3 million that the operator has the right to access to provide ferry services on behalf of Sydney Ferries. The assets comprise existing property plant and equipment, intangibles and right of use assets and as such there is no impact on net assets on initial adoption of AASB 1059. Subsequent to initial reclassification, the assets will continue to be measured under the existing accounting standards and therefore no impact to the net result is expected in the year ended 30 June 2021.

##### (b) Other standards whose impact on initial application is not expected to be significant

The impact of the following standards and amendments in the period of initial application is not expected to be significant:

<b>Standard</b>	<b>Applicable to annual reporting periods beginning on or after</b>
AASB 2018-7 <i>Amendments to Australian Accounting Standards – Definition of Material</i>	1 January 2020
AASB 2019-3 <i>Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform</i>	1 January 2020
AASB 2020-1 <i>Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current</i>	1 January 2022

A number of other new standards or amendments to standards have been identified and assessed and it is expected that they will have no material impact on the financial statements of Sydney Ferries.

**Sydney Ferries**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**2. Expenses excluding losses**

**(a) Other operating expenses**

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Auditor's remuneration - audit of financial statements	47	42
General expenses	19	17
Disposal costs*	637	-
Land and buildings remediation	-	212
Professional services	-	14
Maintenance	1,153	278
Consultants and other contractors**	(1,072)	2,702
Operating lease rental expense	-	72
Administration	452	76
<b>Other operating expenses</b>	<b>1,236</b>	<b>3,413</b>

\* Disposal costs relate to provisions recognised in the current year for disposal of two ferries that are no longer in service (refer to note 13).

\*\* Consultants and other contractors relates to costs incurred in connection with the competitive tender to operate ferry services in Sydney. The negative amount of (\$1.072 million) in the current year reflects the reversal of costs that were over accrued in the prior year following completion of the tender process.

**(b) Depreciation and amortisation**

	<b>Notes</b>	<b>2020</b>	<b>2019</b>
		<b>\$'000</b>	<b>\$'000</b>
Buildings		407	399
Ferries		12,390	10,412
Plant and equipment		183	184
<b>Depreciation - property, plant and equipment</b>	<b>7</b>	<b>12,980</b>	<b>10,995</b>
Right of use asset - land and building		86	-
<b>Depreciation - right of use assets</b>	<b>9(a)</b>	<b>86</b>	<b>-</b>
<b>Depreciation</b>		<b>13,066</b>	<b>10,995</b>
Computer software		179	1,048
<b>Amortisation</b>	<b>8</b>	<b>179</b>	<b>1,048</b>
<b>Depreciation and amortisation</b>		<b>13,245</b>	<b>12,043</b>

**(c) Finance costs**

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Interest expense from lease liabilities	12	-
<b>Finance costs</b>	<b>12</b>	<b>-</b>

## 2. Expenses excluding losses (cont'd)

### Recognition and measurement

#### (i) Operating leases

##### Lease expense (up to 30 June 2019)

Up to 30 June 2019, operating lease payments were recognised as an operating expense in the Statement of comprehensive income on a straight-line basis over the lease term. An operating lease is a lease other than a finance lease. Sydney Ferries leases Balmain wharf from Transport for NSW and it was classified as operating lease under AASB 117.

##### Lease expense (from 1 July 2019)

From 1 July 2019, leases that had previously been classified as operating leases under AASB 117 are recognised as a lease liability and right of use asset at the inception of the lease, refer to note 9.

#### (ii) Insurance

Sydney Ferries is a member of the NSW Treasury Managed Fund. Coverage includes, but is not limited to: (a) legal liability inclusive of public liability, professional indemnity, directors & officers and product liability; and (b) personal accident for voluntary workers.

Transdev has appropriate insurance to cover public liability, physical damage, business interruption, and other exposures arising out of normal business operations.

#### (iii) Repairs and maintenance

The cost of routine maintenance and repairs are expensed as incurred, except where they relate to the replacement of a component of an asset that increases the service potential of the asset, in which case the cost is capitalised and depreciated.

#### (iv) Finance costs

Finance costs consist of interest and other costs incurred in connection with the borrowing of funds. Borrowing costs are recognised as expenses in the period in which they are incurred.

## 3. Revenue

### (a) Operational revenue

	2020 \$'000	2019 \$'000
Ferry lease revenue	8,111	6,352
<b>Operational revenue</b>	<b>8,111</b>	<b>6,352</b>

### (b) Investment revenue

	2020 \$'000	2019 \$'000
Interest income	317	586
<b>Investment revenue</b>	<b>317</b>	<b>586</b>

**Sydney Ferries**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**3. Revenue (cont'd)**

**(c) Grants and Contributions**

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Grants from Transport for NSW	-	3,984
<b>Grants and contributions</b>	<b>-</b>	<b>3,984</b>

Sydney Ferries receives its grant funding from Transport for NSW which receives appropriations from the Consolidated Fund. Grant funding for each financial year is set out in the Budget Paper for that year. Due to COVID-19, the State Budget and related 2020-21 Appropriation Bill has been delayed and will be tabled in Parliament in November 2020. However, pursuant to section 4.10 of the GSF Act, the Treasurer has authorised Ministers to spend specified amounts from Consolidated Fund. This authorisation is current from 1 July 2020 until the earlier of 31 December 2020 (or another day prescribed by the regulations) or enactment of the 2020-21 annual Appropriations Act.

**(d) Other revenue**

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Major periodic maintenance revenue	1,819	6,332
<b>Other revenue</b>	<b>1,819</b>	<b>6,332</b>

**Recognition and measurement**

Revenue is measured at the fair value of the consideration or contributions received or receivable. In most cases this is the value of the cash exchanged or exchangeable. Revenue is not recognised unless receipt is probable and the amount is reliably measureable. Revenue is recognised on major income categories as follows:

**(i) Rental income**

Rental income arising from operating leases is accounted for on a straight-line basis over the lease term. Further information on leases is contained in note 9.

**(ii) Grants**

Until 30 June 2019, income is recognised in accordance with AASB 118 *Revenue* and AASB 1004 *Contributions*. From 1 July 2019, income is recognised in accordance with the requirements of AASB 15 *Revenue from Contracts with Customers* or AASB 1058 *Income of Not-for-Profit Entities*, dependent on whether there is a contract with a customer defined by AASB 15 *Revenue from Contracts with Customers*. Comments regarding the accounting policies for the recognition of income are discussed below.

**Until 30 June 2019**

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

### **3. Revenue (cont'd)**

#### **Recognition and measurement (cont'd)**

##### **(ii) Grants (cont'd)**

#### **From 1 July 2019**

Income from grants to acquire/construct a recognisable non-financial asset to be controlled by Sydney Ferries is recognised when it satisfies its obligations under the transfer. Sydney Ferries satisfies the performance obligations under the transfer to construct assets over time as the non-financial assets are being constructed. The cost incurred is used to recognise income, because this most closely reflects the progress to completion.

Revenue from grants with sufficiently specific performance obligations is recognised as when Sydney Ferries satisfies a performance obligation by transferring the promised goods or services. Sydney Ferries typically satisfies its performance obligations when the corresponding costs are incurred. Revenue from these grants is recognised based on the grant amount specified in the funding agreement/funding approval, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as funding payments are usually received in advance or shortly after the relevant obligation is satisfied.

Income from grants without sufficiently specific performance obligations is recognised when the entity obtains control over the granted assets (e.g. cash).

##### **(iii) Investment revenue**

Interest revenue is recognised in the Statement of comprehensive income as it accrues, using the effective interest method.

##### **(iv) Major periodic maintenance (MPM) revenue**

MPM revenue is recognised in line with MPM work undertaken by the Ferry Services Contractor, Transdev, on Sydney Ferries vessels.



**Sydney Ferries**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**4. Other gains/(losses)**

		<b>2020</b>	<b>2019</b>
	<b>Notes</b>	<b>\$'000</b>	<b>\$'000</b>
Impairment losses on ferries assets	7	-	(14,505)
Impairment reversals/(losses) on right to receive assets	8	1,670	(2,005)
<b>Other gains/(losses)</b>		<b>1,670</b>	<b>(16,510)</b>

**5. Cash and cash equivalents**

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash at bank and on hand	50,978	45,186
<b>Cash and cash equivalents</b>	<b>50,978</b>	<b>45,186</b>

For the purposes of the Statement of cash flows, cash and cash equivalents include cash at bank and cash on hand. Cash and cash equivalent assets recognised in the Statement of financial position are reconciled at the end of the financial year to the Statement of cash flows as follows:

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash and cash equivalents (per Statement of financial position)	50,978	45,186
<b>Closing cash and cash equivalents (per Statement of cash flows)</b>	<b>50,978</b>	<b>45,186</b>

**Recognition and measurement**

Cash is carried at its principal amount and is subject to an insignificant risk of changes in value. Cash includes cash on hand and at bank.

**6. Receivables**

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current receivables</b>		
Trade debtors	-	582
Goods and Services Tax recoverable	370	152
<b>Current receivables</b>	<b>370</b>	<b>734</b>

**Recognition and measurement**

**(i) Receivables**

Trade and other 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 plus any directly attributable transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price.

## **6. Receivables (cont'd)**

### **Recognition and measurement (cont'd)**

#### **(i) Receivables (cont'd)**

Sydney Ferries holds trade and other receivables with the objective to collect the contractual cash flows and therefore measures them at amortised costs using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

#### **(ii) Impairment of financial assets**

Sydney Ferries recognises an allowance for expected credit losses (ECLs) for all debt financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows and the cash flows that the entity expects to receive, discounted at the original effective interest rate.

For trade receivables, Sydney Ferries applies a simplified approach in calculating ECLs. Sydney Ferries recognises a loss allowance based on lifetime ECLs at each reporting date. Sydney Ferries has established a provision matrix based on its historical credit loss experience for trade receivables, adjusted for forward-looking factors specific to the receivable.

**Sydney Ferries**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**7. Property, plant and equipment**

**(a) Total property, plant and equipment**

	Land and buildings \$ '000	Plant and equipment \$ '000	Ferries \$ '000	Assets under construction \$ '000	Total ferries \$ '000	Total property, plant and equipment \$ '000
<b>At 30 June 2020</b>						
At fair value – Gross carrying amount	22,530	5,508	298,465	1,636	300,101	328,139
Accumulated depreciation and impairment	(13,029)	(1,372)	(236,106)	-	(236,106)	(250,507)
<b>Net carrying amount</b>	<b>9,501</b>	<b>4,136</b>	<b>62,359</b>	<b>1,636</b>	<b>63,995</b>	<b>77,632</b>
<b>At 30 June 2019</b>						
At fair value – Gross carrying amount	20,159	5,508	295,170	137	295,307	320,974
Accumulated depreciation and impairment	(11,612)	(1,189)	(223,716)	-	(223,716)	(236,517)
<b>Net carrying amount</b>	<b>8,547</b>	<b>4,319</b>	<b>71,454</b>	<b>137</b>	<b>71,591</b>	<b>84,457</b>

**Sydney Ferries**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**7. Property, plant and equipment (cont'd)**

**(b) Reconciliation of total property, plant and equipment**

Reconciliation of carrying amounts of each class of property, plant and equipment at the beginning and at the end of the reporting period are set out below:

<b>At 30 June 2020</b>		<b>Land and buildings</b>	<b>Plant and equipment</b>	<b>Ferries</b>	<b>Assets under construction</b>	<b>Total ferries</b>	<b>Total Plant and Equipment</b>
	<b>Notes</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>
<b>Net carrying amount at start of year</b>		<b>8,547</b>	<b>4,319</b>	<b>71,454</b>	<b>137</b>	<b>71,591</b>	<b>84,457</b>
Additions		-	-	1,494	1,481	2,975	2,975
Major periodic maintenance additions		-	-	1,664	155	1,819	1,819
Reclassification between PPE classes		-	-	137	(137)	-	-
Depreciation expense	2(b)	(407)	(183)	(12,390)	-	(12,390)	(12,980)
Revaluation increment recognised in equity		1,361	-	-	-	-	1,361
<b>Net carrying amount at 30 June</b>		<b>9,501</b>	<b>4,136</b>	<b>62,359</b>	<b>1,636</b>	<b>63,995</b>	<b>77,632</b>

<b>At 30 June 2019</b>		<b>Land and buildings</b>	<b>Plant and equipment</b>	<b>Ferries</b>	<b>Assets under construction</b>	<b>Total ferries</b>	<b>Total property, plant and equipment</b>
	<b>Notes</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>
<b>Net carrying amount at start of year</b>		<b>8,946</b>	<b>4,503</b>	<b>87,529</b>	<b>2,225</b>	<b>89,754</b>	<b>103,203</b>
Additions		-	-	-	422	422	422
Major periodic maintenance additions		-	-	6,196	136	6,332	6,332
Reclassification between PPE classes		-	-	755	(755)	-	-
Impairment losses	4	-	-	(12,614)	(1,891)	(14,505)	(14,505)
Depreciation expense	2(b)	(399)	(184)	(10,412)	-	(10,412)	(10,995)
<b>Net carrying amount at 30 June</b>		<b>8,547</b>	<b>4,319</b>	<b>71,454</b>	<b>137</b>	<b>71,591</b>	<b>84,457</b>

## 7. Property, plant and equipment (cont'd)

### (b) Reconciliation of total property, plant and equipment (cont'd)

#### Estimates:

Management has estimated expected usage and assessed the assets for impairment.

#### Valuations:

(a) Property, plant and equipment were revalued in accordance with the basis of valuation set out below.

(b) The following non-current assets were independently valued by registered valuers:

Class of assets	Date of valuation	Registered valuers
Land and buildings	30-Jun-20	Preston Rowe Paterson Sydney Pty. Ltd.
Ferries	30-Jun-18	Rodney Hyman Asset Services Pty. Ltd.

### (c) Property, plant and equipment held and used by Sydney Ferries

#### Total property, plant and equipment held and used by Sydney Ferries

	Plant and equipment \$ '000	Total \$ '000
<b>At 30 June 2020</b>		
At fair value – Gross carrying amount	5,508	5,508
Accumulated depreciation and impairment	(1,372)	(1,372)
<b>Net carrying amount</b>	<b>4,136</b>	<b>4,136</b>
<b>At 30 June 2019</b>		
At fair value – Gross carrying amount	5,508	5,508
Accumulated depreciation and impairment	(1,189)	(1,189)
<b>Net carrying amount</b>	<b>4,319</b>	<b>4,319</b>

#### Reconciliation of property, plant and equipment held and used by Sydney Ferries

At 30 June 2020		Plant and equipment \$ '000	Total \$ '000
	Notes		
Net carrying amount start of year		4,319	4,319
Depreciation expense	2(b)	(183)	(183)
<b>Net carrying amount at 30 June</b>		<b>4,136</b>	<b>4,136</b>

**Sydney Ferries**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**7. Property, plant and equipment (cont'd)**

(d) Property, plant and equipment where Sydney Ferries is lessor under an operating lease

**Total property, plant and equipment where Sydney Ferries is lessor under an operating lease**

	Land and buildings \$ '000	Ferries \$ '000	Assets under construction \$ '000	Total ferries \$ '000	Total \$ '000
<b>At 30 June 2020</b>					
At fair value – Gross carrying amount	22,530	298,465	1,636	300,101	322,631
Accumulated depreciation and impairment	(13,029)	(236,106)	-	(236,106)	(249,135)
<b>Net carrying amount</b>	<b>9,501</b>	<b>62,359</b>	<b>1,636</b>	<b>63,995</b>	<b>73,496</b>
<b>At 30 June 2019</b>					
At fair value – Gross carrying amount	20,159	295,170	137	295,307	315,466
Accumulated depreciation and impairment	(11,612)	(223,716)	-	(223,716)	(235,328)
<b>Net carrying amount</b>	<b>8,547</b>	<b>71,454</b>	<b>137</b>	<b>71,591</b>	<b>80,138</b>

**Reconciliation of property, plant and equipment where Sydney Ferries is lessor under operating lease**

<b>At 30 June 2020</b>	Land and buildings \$ '000	Ferries \$ '000	Assets under construction \$ '000	Total ferries \$ '000	Total \$ '000
<b>Net carrying amount at start of year</b>	<b>8,547</b>	<b>71,454</b>	<b>137</b>	<b>71,591</b>	<b>80,138</b>
Additions	-	1,494	1,481	2,975	2,975
Major periodic maintenance additions	-	1,664	155	1,819	1,819
Reclassification between PPE classes	-	137	(137)	-	-
Depreciation expense	(407)	(12,390)	-	(12,390)	(12,797)
Revaluation increment recognised in equity	1,361	-	-	-	1,361
<b>Net carrying amount at 30 June</b>	<b>9,501</b>	<b>62,359</b>	<b>1,636</b>	<b>63,995</b>	<b>73,496</b>

## **7. Property, plant and equipment (cont'd)**

### **Recognition and measurement**

#### **(i) Acquisition of assets and capitalisation threshold**

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by Sydney Ferries. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset when initially recognised in accordance with the specific requirements of other Australian Accounting Standards. Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition. Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. Where payment for an item is deferred beyond normal credit terms, its cost is the cash equivalent. The deferred payment amount is effectively discounted at an asset-specific rate.

Property, plant and equipment costing \$5,000 or more individually and having a minimum expected useful life of one year or more is capitalised.

Major spares purchased specifically for particular assets or class of assets are, at the time of acquisition, included in the cost of the assets and depreciated accordingly.

#### **(ii) Revaluation of property, plant and equipment**

Physical non-current assets are valued in accordance with the 'Valuation of Physical Non-Current Assets at Fair Value' Policy and Guidelines Paper (TPP14-01). This policy adopts fair value in accordance with AASB 13 *Fair Value Measurement*, AASB 116 *Property, Plant and Equipment* and AASB 140 *Investment Property*.

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.

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. Refer to Note 10 for further information regarding fair value.

Sydney Ferries revalue land and buildings at least once every three years and each other class of property, plant and equipment at least five years or with sufficient regularity to ensure that the carrying amount of each asset in the class does not differ materially from its fair value at reporting date. The last comprehensive revaluation of ferries was completed on 30 June 2018; comprehensive revaluations of freehold land, buildings and improvements were undertaken on 30 June 2020.

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%. Management will assess whether comprehensive revaluations are required more frequently if the interim revaluations indicate movements are generally more than 20%.

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 decrements.

## **7. Property, plant and equipment (cont'd)**

### **Recognition and measurement (cont'd)**

#### **(ii) Revaluation of property, plant and equipment (cont'd)**

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

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

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

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

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

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end.

The current replacement cost is used to revalue specialised buildings (designed for specific limited purposes), infrastructure systems and certain plant and equipment. Current replacement cost for these types of assets is based on "incremental optimised replacement cost". Optimised replacement cost is the minimum cost, in the normal course of business, to replace the existing asset with a technologically modern equivalent asset with the same economic benefits, adjusting for any overdesign, overcapacity and redundant components.

For vessels which are specialised assets, current replacement cost is determined by reference to the most appropriate modern, depreciated equivalent replacement asset that provided similar economic benefits.

Non-specialised assets with short useful lives are measured at depreciated historical cost, as a surrogate for fair value. When revaluing non-current assets by reference to current prices for assets newer than those being revalued (adjusted to reflect the present condition of the assets), the gross amount and the related accumulated depreciation are separately restated. The accumulated depreciation is restated proportionately with the change in the gross carrying amount so that the carrying amount of the asset after revaluation equals its revalued amount. In all other cases the accumulated depreciation is eliminated against the gross carrying amount of the asset and the net carrying amount is restated to the revalued amount of the asset.

#### **(iii) Work in progress**

Costs relating to property, plant and equipment that are under construction, or are otherwise incomplete, are shown in the statement of financial position as work in progress and are not depreciated until the assets are brought into service.

#### **(iv) Impairment of property, plant and equipment**

In respect of a not-for-profit entity, value in use is the current replacement cost. Hence an impairment loss is unlikely to arise on any of Sydney Ferries' assets because the carrying amount (usually optimised replacement cost) is unlikely to exceed the recoverable amount. For vessels (which are specialised assets) held for sale, an impairment loss would arise when they are valued at market value and not disposed of in the same financial year.



## 7. Property, plant and equipment (cont'd)

### Recognition and measurement (cont'd)

#### (iv) Impairment of property, plant and equipment (cont'd)

Notwithstanding this, Sydney Ferries generally reviews the carrying values of major assets for objective evidence of impairment. Where such an indication exists, an estimate of the recoverable amount is made. An impairment loss is recognised in the Statement of comprehensive income when the carrying amount of an asset exceeds its recoverable amount unless the asset has been revalued in which case the impairment loss is treated as a revaluation decrease. When the impairment subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### (v) Depreciation of property, plant and equipment

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 Sydney Ferries. Property, plant and equipment, excluding freehold land and work in progress, are depreciated over their estimated useful lives as follows:

Asset Class	Life	Method
Freehold buildings	40 Yrs	Straight Line
Plant and equipment	3 to 30 Yrs	Straight Line
Ferries	20 to 40 Yrs	Straight Line

#### (vi) Dry docking

As part of the long-term maintenance program for the fleet, all vessels undergo a major refit (dry docking) on a regular basis (at least every 5 years). The cost of these dockings are capitalised and depreciated over the period to the subsequent docking or until the next revaluation date (whichever comes sooner).

## 8. Intangible assets

	2020	2019
	\$'000	\$'000
Plant and equipment	3,731	3,700
Intangibles	2,177	179
Leasehold improvements	9,898	10,670
Inventory (including fuel)	9,699	9,286
<b>Right to receive assets</b>	<b>25,505</b>	<b>23,835</b>
<b>Computer software</b>	<b>898</b>	-
<b>Work In Progress</b>	<b>697</b>	-
<b>Total intangible assets</b>	<b>27,100</b>	<b>23,835</b>

The contract with Transdev for the provision of ferry services provides for assets to be returned to Sydney Ferries at the end of the contract. Those assets have been brought to account as a right to receive intangible asset.

Reconciliation of carrying amounts of each class of intangible at the beginning and at the end of the reporting period are set out below:

**Sydney Ferries**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**8. Intangible assets (cont'd)**

	Right to receive assets \$ '000	Computer software \$ '000	Work in progress \$ '000	Total \$ '000
Cost (gross carrying amount)	34,106	1,564	697	36,367
Accumulated amortisation and impairment	(8,601)	(666)		(9,267)
<b>Net carrying amount at 30 June 2020</b>	<b>25,505</b>	<b>898</b>	<b>697</b>	<b>27,100</b>
Cost (gross carrying amount)	34,106	15,664	-	49,770
Accumulated amortisation and impairment	(10,271)	(15,664)	-	(25,935)
<b>Net carrying amount at 30 June 2019</b>	<b>23,835</b>	<b>-</b>	<b>-</b>	<b>23,835</b>

**Reconciliation**

Notes	Right to receive assets \$ '000	Computer software \$ '000	Work in progress \$ '000	Total \$ '000
Net carrying amount at start of year	23,835	-	-	23,835
Additions	-	1,077	697	1,774
Impairment reversals/(losses) 4	1,670	-	-	1,670
Amortisation 2(b)	-	(179)	-	(179)
<b>Net carrying amount at 30 June 2020</b>	<b>25,505</b>	<b>898</b>	<b>697</b>	<b>27,100</b>
Net carrying amount at start of year	25,840	1,048	-	26,888
Impairment reversals/(losses) 4	(2,005)	-	-	(2,005)
Amortisation 2(b)	-	(1,048)	-	(1,048)
<b>Net carrying amount at 30 June 2019</b>	<b>23,835</b>	<b>-</b>	<b>-</b>	<b>23,835</b>

**Recognition and measurement**

**(i) Right to receive**

Sydney Ferries recognises the right to receive ferry spare parts, inventory and fuel stocks which Transdev under its contract, must return at the end of that contract. Transdev advises Sydney Ferries of the value of the right to receive assets as at 30 June each year based on the amount and relevant values of fuel and of each inventory item at the reporting date. The advice from Transdev is used for the purpose of assessing impairment to the right to receive assets as at 30 June each year.

**(ii) Computer software**

Computer software is specialised ferry software that facilitates receiving, storing and processing real-time ferry service and customer information. Computer software is measured initially at cost and subsequently at cost less any accumulated amortisation and impairment losses. Computer software is amortised using the straight-line method over a period of 3 years.

**(iii) Work in progress**

Work in progress relates to new software being developed to improve ferry service performance reporting and facilitate real-time processing of ferry service information. Costs relating to intangibles that are under construction or are otherwise incomplete are shown in the statement of financial position as work in progress and are not amortised until the assets are brought into service.

**(iv) Impairment of intangibles**

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.

**Sydney Ferries**  
**Notes to the financial statements**  
for the year ended 30 June 2020

**9. Leases**

**Entity as a lessee**

Sydney Ferries leases property from Transport for NSW. The lease contract is for a fixed periods of 20 years with no extension options. The lease agreement does not impose any covenants, and the leased assets may not be used as security for borrowing purposes. Sydney Ferries does not provide residual value guarantees in relation to leases.

**(a) Right of use assets under leases**

The following table presents right of use assets that do not meet the definition of investment property.

	<b>Right of Use Land</b>	<b>Total</b>
	<b>\$ '000</b>	<b>\$ '000</b>
<b>Balance at 1 July 2019</b>	-	-
Recognition of right of use asset on initial application of AASB 16	652	652
Depreciation expense	(86)	(86)
<b>Balance at 30 June 2020</b>	<b>566</b>	<b>566</b>

**(b) Lease liabilities**

The following table presents liabilities under leases.

	<b>Lease liabilities</b>
	<b>\$ '000</b>
<b>Balance at 1 July 2019</b>	-
Recognition of right of use asset on initial application of AASB 16	652
Interest expenses	12
Payments	(81)
<b>Balance at 30 June 2020</b>	<b>583</b>

**(c) Comprehensive income**

The following amounts were recognised in the statement of comprehensive income for the year ending 30 June 2020 in respect of leases where Sydney Ferries is the lessee:

	<b>\$ '000</b>
Depreciation expense of right of use assets	86
Interest expense from lease liabilities	12
<b>Total amount recognised in the statement of comprehensive income</b>	<b>98</b>

## 9. Leases (cont'd)

### Entity as a lessee (cont'd)

Sydney Ferries had total cash outflows for leases of \$81K in the year ended 30 June 2020.

Future minimum lease payments under non-cancellable leases as at 30 June 2019 were as follows:

	<b>Operating lease</b>
	<b>\$ '000</b>
Within one year	89
Later than one year and not later than five years	504
Later than five years	181
<b>Total (including GST)</b>	<b>774</b>
Less: GST recoverable from Australian Tax Office	(70)
<b>Total (excluding GST)</b>	<b>704</b>

### Recognition and measurement (under AASB 16 from 1 July 2019)

Sydney Ferries assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Sydney Ferries recognises lease liabilities to make lease payments and right of use assets representing the right to use the underlying assets, except for short-term leases and leases of low-value assets.

#### i) Right of use assets

Sydney Ferries recognises right of use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right of use assets are initially measured at the amount of initial measurement of the lease liability (refer ii below), adjusted by any lease payments made at or before the commencement date and lease incentives, any initial direct costs incurred, and estimated costs of dismantling and removing the asset or restoring the site.

## **9. Leases (cont'd)**

### **Entity as a lessee (cont'd)**

#### **Recognition and measurement (under AASB 16 from 1 July 2019) (cont'd)**

##### **i) Right of use assets (cont'd)**

The right of use assets are subsequently measured at cost. They are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Land: 20 years

The right of use assets are subject to impairment. Sydney Ferries assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, Sydney Ferries estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. After an impairment loss has been recognised, it is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the net result.

##### **ii) Lease liabilities**

At the commencement date of the lease, Sydney Ferries recognises lease liabilities measured at the present value of lease payments to be made over the lease term. Lease payments include:

- fixed payments (including in substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- exercise price of a purchase options reasonably certain to be exercised by Sydney Ferries; and
- payments of penalties for terminating the lease, if the lease term reflects Sydney Ferries exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the entity's leases, the lessee's incremental borrowing rate is used, being the rate that the entity would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms, security and conditions.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Sydney Ferries' lease liabilities are included in borrowings.

## **9. Leases (cont'd)**

### **Entity as a lessee (cont'd)**

#### **Recognition and measurement (under AASB 16 from 1 July 2019) (cont'd)**

##### **iii) Short-term leases and leases of low-value assets**

Sydney Ferries applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

#### **Recognition and measurement (under AASB 117 until 30 June 2019)**

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset (or assets), even if that asset (or those assets) is not explicitly specified in an arrangement.

Until 30 June 2019, a lease was classified at the inception date as a finance lease or an operating lease. A lease that transferred substantially all the risks and rewards incidental to ownership to the entity was classified as a finance lease.

Where a non-current asset was acquired by means of a finance lease, at the commencement of the lease, the asset was recognised at its fair value or, if lower, at the present value of the minimum lease payments. The corresponding liability was established at the same amount. Lease payments were apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges were recognised in finance costs in the statement of comprehensive income.

Property, plant and equipment acquired under finance leases was depreciated over the useful life of the asset. However, if there is no reasonable certainty that Sydney Ferries will obtain ownership by the end of the lease term, the asset was depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments were recognised as an operating expense in the statement of comprehensive income on a straight-line basis over the lease term.

### **Entity as a lessor**

A lease arrangement exists between Sydney Ferries and Transdev for the use of Sydney Ferries vessels, land and buildings. The initial contract term is for 9 years from July 2019. Sydney Ferries and Transdev may at any time add or remove a vessel from the lease agreement with the consent of both parties. Sydney Ferries is not exposed to changes in the residual value at the end of current leases, as the vessels are required to be returned by the Transdev in an equal if not better condition at the end of the lease per the agreement.

There are no other variable lease payments that depend on an index or rate.

## 9. Leases (cont'd)

### Entity as a lessor (cont'd)

#### Lessor for operating leases

Future minimum rentals receivable (undiscounted) under non-cancellable operating lease as at 30 June are as follows:

	2020 \$'000	2019 \$'000
Within one year	5,624	8,242
One to two years	4,410	5,627
Two to three years	4,788	4,412
Three to four years	4,790	4,790
Four to five years	4,792	4,792
Later than five years	14,792	19,593
<b>Total (excluding GST)</b>	<b>39,196</b>	<b>47,456</b>

#### Recognition and measurement - lessor for operating leases

An operating lease is a lease other than a finance lease. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the underlying asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

## 10. Fair value measurement of non-financial assets

### (a) Fair value hierarchy

Fair value measurements recognised in the balance sheet are categorised into the following levels at 30 June 2020.

	Notes	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Land and buildings	7	-	-	9,501	9,501
Ferries	7	-	-	62,359	62,359
<b>Property, plant and equipment</b>		<b>-</b>	<b>-</b>	<b>71,860</b>	<b>71,860</b>

30 June 2019

	Notes	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Land and buildings	7	-	-	8,547	8,547
Ferries	7	-	-	71,454	71,454
<b>Property, plant and equipment</b>		<b>-</b>	<b>-</b>	<b>80,001</b>	<b>80,001</b>

## **10. Fair value measurement of non-financial assets (cont'd)**

### **Recognition and measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability.

A number of Sydney Ferries' 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, Sydney Ferries categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

- Level 1 – quoted prices in active markets for identical assets / liabilities that Sydney Ferries 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).

Sydney Ferries 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 19 for disclosures regarding fair value measurements of financial assets.

### **(b) Valuation processes**

Sydney Ferries obtains independent valuations for its land and building assets at least every 3 years and for its other non-financial assets at least every 5 years.

Sydney Ferries engages external professionally qualified valuers to determine the fair value of the entity's non-financial assets. A comprehensive valuation of land and buildings was conducted by Preston Rowe Paterson Sydney Pty. Ltd. for 30 June 2020. A comprehensive valuation of ferries was conducted by Rodney Hyman Asset Services Pty Ltd (RHAS) at 30 June 2018, using an optimised replacement cost approach. For property leases with a lease term of less than five years or greater than five years but substantially shorter than the asset's useful life, valuations will be based on indices published by Property NSW.

### **(c) Valuation techniques and input**

At the end of each reporting period, Sydney Ferries updates its assessment of the fair value of each category of non-financial asset, taking into account the most recent independent valuation. The best evidence of fair value is current prices in an active market for similar assets. Where such information is not available, Sydney Ferries considers information from a variety of other sources and uses specific valuation techniques including:

- current prices in an active market for assets of a similar nature or recent prices of similar assets in less active markets, adjusted to reflect those differences
- current replacement cost where the selling price is not available, with reference to most appropriate modern, depreciated equivalent replacement asset that provides similar economic benefits
- construction costs incurred by the entity
- indexation of rates used in previous valuation assessments, including review of the rates against current market conditions

These valuation techniques maximise the use of observable inputs where available and rely as little as possible on entity or asset specific estimates. The level in the fair value hierarchy is determined on the basis of the lowest level input that is significant to the measurement in its entirety. If significant inputs required to measure fair value of an asset are observable, the asset is included in level 2 of the fair value hierarchy. If one or more of the significant inputs is not based on observable market data, the asset is included in level 3 of the fair value hierarchy. All resulting fair value estimates for non-financial assets are included in level 3.



## 10. Fair value measurement of non-financial assets (cont'd)

### (c) Valuation techniques and input (cont'd)

The main level 2 and level 3 inputs used by the valuers for property, plant and equipment are as follows:

- Land – rate range per square metre of land area is determined by the external valuer using the comparable commercial land sales evidence, which resulted in the rate range, then adjusted for the specific attributes of the subject land, including its location adjacent to a residential precinct, difficult heavy vehicle access, proximity to the waterfront, access to harbour views, shape, topography and other factors. The mid-point of such range is used to calculate the value of the land by multiplying the land area in square meter.
- Building – replacement cost of buildings has been used to work out the value, with reference to Rawlinsons Australian Construction Handbook 2020 ed building cost guide, and then compared with 2017 assessment (most recent). The figures then are adjusted with building cost inflation applicable. The current replacement cost with reference to the straight-line method of depreciation was then taken in account, where appropriate estimates of each building assets useful life and remaining useful life were considered.
- Vessels – optimised replacement cost, including delivery and professional fees were estimated by RHAS valuers based on the advice of a locally-based, reputable and long-standing boat-builder, assuming the lowest cost of replacing the vessel with a vessel based on the above criteria. Costs incurred on major periodic maintenance are determined by management based on the applicable Australian Accounting Standards.

### (d) Reconciliation of recurring Level 3 fair value measurements

	Land and buildings	Ferries	Total
	\$ '000	\$ '000	\$ '000
Fair value at start of year	8,547	71,454	80,001
Additions	-	3,295	3,295
Revaluation increment recognised in other comprehensive income	1,361	-	1,361
Depreciation	(407)	(12,390)	(12,797)
<b>Fair value as at 30 June 2020</b>	<b>9,501</b>	<b>62,359</b>	<b>71,860</b>
Fair value at start of year	8,946	87,529	96,475
Additions	-	6,951	6,951
Impairment losses on ferries assets	-	(12,614)	(12,614)
Depreciation	(399)	(10,412)	(10,811)
<b>Fair value as at 30 June 2019</b>	<b>8,547</b>	<b>71,454</b>	<b>80,001</b>

## 11. Payables

	2020 \$'000	2019 \$'000
Trade creditors	-	65
Accrued expenses	4,523	1,662
Other creditors	69	53
<b>Current payables</b>	<b>4,592</b>	<b>1,780</b>

### Recognition and measurement

Payables represent liabilities for goods and services provided to the entity and other amounts. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

Payables are financial liabilities at amortised cost, initially measured at fair value, net of directly attributable transaction costs. These are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised net result when the liabilities are derecognised as well as through the amortisation process.

## 12. Borrowings

	2020 \$'000	2019 \$'000
Lease liabilities	74	-
<b>Current borrowings</b>	<b>74</b>	<b>-</b>
Lease liabilities	509	-
<b>Non-current borrowings</b>	<b>509</b>	<b>-</b>

### Repayment of borrowings

	Notes	2020 \$'000
Not later than one year		74
Later than one year and not later than five years		347
Later than five years		162
<b>Repayment of borrowings</b>	<b>9</b>	<b>583</b>

### Recognition and measurement

For recognition and measurement of lease liabilities please refer to Note 9.

### 13. Other provisions

	2020 \$'000	2019 \$'000
Provision for disposal of property, plant and equipment	637	-
<b>Provisions</b>	<b>637</b>	<b>-</b>

The provision for disposal of property, plant and equipment reflects the estimated costs of disposal (through a sale process) of two ferries that are no longer in service. The sale is expected to be completed within 12 months.

#### Movement in provisions

	2020 \$'000
Carrying amount 1 July 2019	-
Additions	637
<b>Net carrying amount at 30 June 2020</b>	<b>637</b>

#### Recognition and measurement

Other provisions exist when Sydney Ferries 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.

### 14. Other liabilities

	2020 \$'000	2019 \$'000
Liability for former employees' leave entitlements	2,274	2,657
<b>Current other liabilities</b>	<b>2,274</b>	<b>2,657</b>

#### Recognition and measurement

##### Liability for former employees' leave entitlements

Other liabilities include amounts brought to account for the leave amounts owing to Transdev for former Sydney Ferries employees, not including superannuation for leave taken in service.

Liabilities for leave that are expected to be settled wholly within 12 months of the reporting date are recognised and measured at undiscounted amounts based on the amounts expected to be paid when the liabilities are settled.

## 15. Equity and reserves

### (i) Asset revaluation reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of noncurrent assets. This accords with Sydney Ferries policy on the revaluation of property, plant and equipment as discussed in note 7. Separate reserve accounts are recognised in the financial statements only if such accounts are required by specific legislation or Australian Accounting Standards (e.g. asset revaluation reserve).

### (ii) Accumulated funds

The category "Accumulated funds" includes all current and prior period retained funds.

## 16. Commitments

	2020 \$ '000	2019 \$ '000
<b>Capital commitments</b>		
Aggregate capital commitments for property, plant & equipment contracted for at reporting date and not provided for:		
Not later than one year	11,523	5,774
Later than one year	-	5,777
<b>Total (including GST)</b>	<b>11,523</b>	<b>11,551</b>

Net GST payable of \$0.75 million (2019: \$3.63 million) to the Australian Taxation Office is included above.

## 17. Contingent liabilities

Contingent liabilities represent matters that are unconfirmed (pending the occurrence or non-occurrence of an uncertain future event), or not reliably measurable or unlikely to be settled. However, their probability of settlement is not remote.

Contractual and other claims against Sydney Ferries arise in the ordinary course of operations. The existence or quantum of each claim is usually in dispute and the outcome cannot be measured reliably. Sydney Ferries had no contingent liabilities as at 30 June 2020 and 30 June 2019.

## 18. Reconciliation of operating result to net cash from operating activities

### (a) Reconciliation of operating result to net cash from operating activities

	2020 \$'000	2019 \$'000
Net cash inflows from operating activities	6,752	7,854
Depreciation and amortisation	(13,245)	(12,043)
Other non-cash items	5,677	6,332
Impairment reversals/(losses) on right to receive assets	1,670	(2,005)
Impairment losses on ferries assets	-	(14,505)
(Decrease)/increase in receivables	(364)	719
Increase in payables and provisions	(3,449)	(1,534)
Decrease in other liabilities	383	470
<b>Reconciliation to net result</b>	<b>(2,576)</b>	<b>(14,712)</b>

### (b) Non-cash financing and investing activities

	2020 \$'000	2019 \$'000
Impairment losses on ferries assets	-	(14,505)
Major periodic maintenance work by Transdev	1,819	6,332
<b>Non-cash investing activities</b>	<b>1,819</b>	<b>(8,173)</b>
<b>Non-cash financing and investing activities</b>	<b>1,819</b>	<b>(8,173)</b>

## 19. Financial instruments

Sydney Ferries' principal financial instruments are outlined below. These financial instruments arise directly from Sydney Ferries' operations or are required to finance Sydney Ferries' operations. Sydney Ferries does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Sydney Ferries' main risks arising from financial instruments are outlined below, together with the Sydney Ferries' objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout this financial report.

Risk management policies are established to identify and analyse the risks faced by Sydney Ferries, to set risk limits and control and monitor risks. Compliance with policies is reviewed by Management on a continuous basis. There have been no changes to Sydney Ferries' exposure to credit, liquidity, market and interest rate risk or objectives, policies and processes for managing the risk and the methods used to measure the risks from the prior year.

### (a) Financial instrument categories

	Notes	Category	Carrying amount 2020 \$'000	Carrying amount 2019 \$'000
<b>Financial assets</b>				
<b>Class:</b>				
Cash and cash equivalents	5	N/A	50,978	45,186
Receivables	6	Amortised cost	-	582
			<b>50,978</b>	<b>45,768</b>
<b>Financial liabilities</b>				
<b>Class:</b>				
Payables	11	Financial liabilities measured at amortised cost**	4,215	1,727
Borrowings	12	Financial liabilities measured at amortised cost	583	-
Other liabilities	14	Financial liabilities measured at amortised cost	2,274	2,657
			<b>7,072</b>	<b>4,384</b>

\* Excludes statutory receivables and prepayments which are not within the scope of AASB 7.

\*\*Excludes statutory payables and unearned revenue which are not within the scope of AASB 7.

## Recognition and measurement

### De-recognition of financial assets and financial liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is de-recognised when the contractual rights to the cash flows from the financial assets expire; or if Sydney Ferries transfers its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass through" arrangement; and either:

- substantially all the risks and rewards have been transferred; or
- the agency has not transferred substantially all the risks and rewards, but has transferred control.

When Sydney Ferries has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. Where Sydney Ferries

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

A financial liability is de-recognised when the obligation specified in the contract is discharged or cancelled or expires.

## 19. Financial instruments (cont'd)

### (b) Credit risk

Credit risk arises when there is the possibility of Sydney Ferries' debtors defaulting on their contractual obligations, resulting in a financial loss to Sydney Ferries. 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 Sydney Ferries, including cash and cash equivalents and receivables and authority deposits. No collateral is held by Sydney Ferries. Sydney Ferries has not granted any financial guarantees.

Credit risk associated with Sydney Ferries financial assets, other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards.

#### (i) Cash

Cash comprises cash on hand and bank balances within the NSW Treasury banking systems. The interest rate applied is the Reserve Bank of Australia target cash rate.

#### (ii) Receivables

At the end of the reporting period there were no significant concentrations of credit risk. Credit risk is the risk of financial loss arising from another party to a contract or financial position failing to discharge a financial obligation there under. Sydney Ferries' maximum exposure to credit risk is represented by the carrying amounts of the financial assets included in the statement of financial position.

	Government \$'000	Other \$'000	Total \$'000
<b>2020</b>			
Receivables	-	-	-
<b>Total receivables</b>	-	-	-
<b>2019</b>			
Receivables	-	582	582
<b>Total receivables</b>	-	<b>582</b>	<b>582</b>

At 30 June 2020, Sydney Ferries had Nil trade debtors (2019: \$0.582 million) that were neither past due nor impaired. There are no debtors whose terms have been re-negotiated.

### (c) Liquidity risk

Liquidity risk is the risk that Sydney Ferries will be unable to meet its payment obligations when they fall due. Sydney Ferries continuously manages risk through monitoring cash flows and debt maturities and 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.

No assets have been pledged as collateral. Sydney Ferries' exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW Treasury Circular 11/12 *Payments 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.

## 19. Financial instruments (cont'd)

### (c) Liquidity risk (cont'd)

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

#### (i) Maturity analysis and interest rate exposure of financial liabilities

Trade creditors are non-interest bearing and are normally settled on 30-day terms.

	Weighted average effective int. rate (%)	Nominal amount <sup>1</sup>	Interest rate exposure		Non-interest bearing	Maturity dates		
			Fixed interest rate	Variable interest rate		< 1 year	1 - 5 years	> 5 years
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
2020								
Accrued expenses	-	4,215	-	-	4,215	4,215	-	-
Borrowings	2.00	623	-	-	623	85	374	164
Other liabilities	-	2,274	-	-	2,274	2,274	-	-
		<b>7,112</b>	<b>-</b>	<b>-</b>	<b>7,112</b>	<b>6,574</b>	<b>374</b>	<b>164</b>
2019								
Trade creditors	-	65	-	-	65	65	-	-
Accrued expenses	-	1,662	-	-	1,662	1,662	-	-
Other liabilities	-	2,657	-	-	2,657	2,657	-	-
	-	<b>4,384</b>	<b>-</b>	<b>-</b>	<b>4,384</b>	<b>4,384</b>	<b>-</b>	<b>-</b>

1. Nominal amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which Sydney Ferries can be required to pay. Therefore the amounts disclosed will not reconcile to the Statement of financial position.



## 19. Financial instruments (cont'd)

### (d) Fair value

The amortised cost of financial instruments recognised in the statement of financial position approximates the fair value, largely due to the short-term nature of many of the financial instruments.

### (e) 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. Sydney Ferries has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on profit and equity due to a reasonably possible change in the interest rate is outlined in the information below. A reasonably possible change in the interest rate has been determined after taking into account the economic environment in which Sydney Ferries operates and the time frame for the assessment (that is, until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the end of the reporting period. The analysis is performed on the same basis as for 2019. The analysis assumes that all other variables remain constant.

#### Interest rate risk

Interest rate risk is the risk that the value of the financial statements will fluctuate due to changes in market interest rates. Sydney Ferries exposure to interest rate risk is set out in the table below:

#### Sensitivity analysis

2020	Carrying amount \$'000	Net result \$'000	-1% Equity \$'000	Net result \$'000	+1% Equity \$'000
<b>Financial assets</b>					
Cash and cash equivalents	50,978	(510)	(510)	510	(510)
2019	Carrying amount \$'000	Net result \$'000	-1% Equity \$'000	Net result \$'000	+1% Equity \$'000
<b>Financial assets</b>					
Cash and cash equivalents	45,186	(452)	(452)	452	452

## **20. Related party disclosure**

### **(a) Key management personnel compensation**

The entity's key management personnel compensation are borne by Transport for NSW.

### **(b) Transactions with government related entities during the financial year**

During the 2020 financial year, Sydney Ferries transacted with other entities consolidated as part of the NSW Total State Sector (the ultimate parent) within the normal course of business:

- Payments (capital and operational expenditure) made to Transport for NSW
- Interest revenue earned from the Treasury Banking System
- Audit fee payments made to the Audit Office of NSW

## **21. After balance date events**

The outbreak of the novel Coronavirus (COVID-19) was declared a global pandemic by the World Health Organisation on 11 March 2020. Measures taken by various governments to contain COVID-19 have affected economic activity globally.

Sydney Ferries receives its grant funding from Transport for NSW which receives appropriations from the Consolidated Fund. The Treasurer has authorised Ministers to spend specified amounts from Consolidated Fund from 1 July 2020 until the earlier of 31 December 2020 (or another day prescribed by the regulations) or enactment of the 2020-21 annual Appropriations Act. Therefore there is no risk for Sydney Ferries to continue operating as a going concern after 30 June 2020.

At this stage, the impact on Sydney Ferries operations and financial performance has not been material.

The real estate market is being impacted by the uncertainty that the COVID-19 outbreak has caused. Market conditions can change within a relatively short period of time. Sydney Ferries has assessed after balance date events to ensure there is no evidence of material market movements in fair value that should be reflected in the fair values of property, plant and equipment assets at 30 June 2020. This assessment was supported by a letter of assurance from an external valuer for land and building assets and management's review of movements in unit rates and market movements for remaining asset classes. Sydney Ferries notes that there continues to be significant market uncertainty and will continue to assess the implications of COVID-19 on the fair value of its assets when new information becomes available.

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

### **End of audited financial statements**



## INDEPENDENT AUDITOR'S REPORT

### Sydney Ferries

To Members of the New South Wales Parliament

#### Opinion

I have audited the accompanying financial statements of Sydney Ferries, which comprise the Statement of comprehensive income for the year ended 30 June 2020, the Statement of financial position as at 30 June 2020, the Statement of changes in equity and the Statement of cash flows 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 Sydney Ferries as at 30 June 2020, 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 Sydney Ferries 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 (including Independence Standards)' (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.

#### Other Information

Sydney Ferries' annual report for the year ended 30 June 2020 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Chief Executive of Sydney Ferries is responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the Statement by the Chief Executive.

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

### **The Chief Executive's Responsibilities for the Financial statements**

The Chief Executive are responsible for the preparation and fair presentation of the financial statement in accordance with Australian Accounting Standards, the PF&A and for such internal control as the Chief Executive determines is 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 statement, the Chief Executive is responsible for assessing Sydney Ferries' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

### **Auditor's Responsibilities 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](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

- that Sydney Ferries carried out its activities effectively, efficiently and economically
- 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.



Somaiya Ahmed

Director, Financial Audit

Delegate of the Auditor-General for New South Wales

2 October 2020  
SYDNEY



# **Roads and Maritime Services**

## **Financial Statements**

*for the five month period ended 30 November 2019*

## TABLE OF CONTENTS

---

Statement by the Secretary .....	3
Statement of comprehensive income .....	4
Statement of financial position .....	5
Statement of changes in equity .....	6
Statement of cash flows .....	7
1. Summary of significant accounting policies .....	8
2. Expenses excluding losses .....	16
3. Revenue .....	20
4. Gain/(loss) on disposal .....	24
5. Other gains/(losses) .....	24
6. Write-off/down of land & buildings and infrastructure assets .....	25
7. Cash and cash equivalents .....	26
8. Receivables .....	27
9. Financial assets at fair value .....	28
10. Other financial assets .....	30
11. Property, plant and equipment .....	31
12. Leases .....	49
13. Non-current assets - intangibles assets and other .....	54
14. Non-current assets held for sale .....	61
15. Fair value measurement of non-financial assets .....	62
16. Restricted Assets .....	67
17. Payables .....	68
18. Borrowings .....	69
19. Provisions .....	70
20. Other liabilities .....	72
21. Increase in net assets from equity transfers .....	74
22. Commitments for expenditure .....	75
23. Contingent assets and contingent liabilities .....	75
24. Budget Information .....	75
25. Reconciliation of cash flows from operating activities to net result .....	76
26. Non-cash financing and investing activities .....	76
27. Administered income and expenses .....	77
28. Administered assets and liabilities .....	78
29. Native title .....	78
30. Financial instruments .....	79
31. Related Party Disclosures .....	89
32. Correction of prior year balances .....	89
33. Events after the reporting period .....	92

---

## Roads and Maritime Services Statement by the Secretary

for the five month period ended 30 November 2019

---

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 November 2019 and financial performance for the five month period ended 30 November 2019
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.

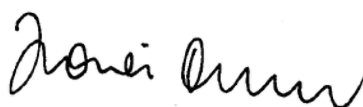
Further we are not aware of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.



Rodd Staples

Secretary, TfNSW

14 August 2020



Fiona Trussell

Acting Deputy Secretary, Corporate Services, TfNSW

12 August 2020

**Roads and Maritime Services**  
**Statement of comprehensive income**  
for the five month period ended 30 November 2019

		<b>Actual November 2019 \$'000</b>	<b>Restated June 2019 \$'000</b>
	<b>Notes</b>		
<b>Expenses excluding losses</b>			
Operating expenses			
- Personnel services expenses	2(a)	214,120	485,100
- Other operating expenses	2(b)	575,727	1,407,452
Depreciation and amortisation	2(d)	636,681	1,526,610
Grants and subsidies	2(e)	164,794	528,172
Finance costs	2(f)	8,630	21,732
<b>Total expenses excluding losses</b>		<b>1,599,952</b>	<b>3,969,066</b>
<b>Revenue</b>			
Sales of goods and services from contracts with customers	3(a)	268,153	663,465
Personnel service revenue		250	485
Investment revenue	3(b)	14,929	36,224
Retained taxes, fees and fines	3(c)	29,169	71,601
Operating grant received from Transport for NSW (TfNSW)	3(d)	827,169	1,692,098
Capital grant received from TfNSW	3(d)	1,976,567	4,372,754
Other grants and contributions	3(e)	553,049	1,861,025
Other income	3(f)	246,246	389,807
<b>Total revenue</b>		<b>3,915,532</b>	<b>9,087,459</b>
Gain/(losses) on disposal of property, plant and equipment	4	(398)	(1,662)
Impairment losses in financial assets	8	(3,831)	(490)
Other gains/(losses)	5	(170,924)	(637,306)
<b>Net result</b>		<b>2,140,427</b>	<b>4,478,935</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to net result in subsequent periods</i>			
Net gains/(losses) in commodity swaps and foreign exchange	1(j)(ii)	33	-
<i>Items that will not be reclassified to net result in subsequent periods</i>			
Net increase/(decrease) in property, plant and equipment revaluation surplus	11	2,033,175	3,504,879
<b>Total other comprehensive income for the period/year</b>		<b>2,033,208</b>	<b>3,504,879</b>
<b>Total comprehensive income for the period/year</b>		<b>4,173,635</b>	<b>7,983,814</b>

The accompanying notes form part of these financial statements.

See Note 32 for details regarding restated prior year balances



**Roads and Maritime Services**  
**Statement of financial position**  
as at 30 November 2019

	Notes	Actual 30 November 2019 \$'000	Restated 30 June 2019 \$'000	Restated 1 July 2018 \$'000
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	7	866,443	1,021,552	886,839
Receivables	8	541,619	683,096	580,309
Inventory		5,225	5,047	4,762
Financial assets at fair value	9	124,202	119,615	111,565
Other financial assets (at amortised cost)		-	-	146,887
		<b>1,537,489</b>	<b>1,829,310</b>	<b>1,730,362</b>
Non-current assets classified as Held for Sale	14	18,544	303	1,121
<b>Total current assets</b>		<b>1,556,033</b>	<b>1,829,613</b>	<b>1,731,483</b>
<b>Non-current assets</b>				
Receivables	8	2,335,784	1,961,958	1,426,816
Other financial assets (at amortised cost)	10	244,415	236,021	222,992
Property, plant and equipment				
- Land and buildings	11(a)	3,590,612	3,500,732	3,660,886
- Plant and equipment	11(b)	172,124	109,678	105,371
- Infrastructure systems	11(c)	98,283,468	94,449,675	87,407,029
<b>Total property, plant and equipment</b>		<b>102,046,204</b>	<b>98,060,085</b>	<b>91,173,286</b>
Private sector provided infrastructure	13(a)	2,519,683	2,338,653	2,075,417
Intangible assets	13(b)	237,030	228,114	153,796
<b>Total non-current assets</b>		<b>107,383,116</b>	<b>102,824,831</b>	<b>95,052,307</b>
<b>Total assets</b>		<b>108,939,149</b>	<b>104,654,444</b>	<b>96,783,790</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Payables	17	1,051,207	1,269,091	1,337,375
Borrowings	18	118,847	68,059	60,558
Provisions	19	134,398	37,233	16,500
Other	20	271,392	264,648	292,131
<b>Total current liabilities</b>		<b>1,575,844</b>	<b>1,639,031</b>	<b>1,706,564</b>
<b>Non-current liabilities</b>				
Payables	17	5,349	5,229	9,160
Borrowings	18	291,945	176,516	244,575
Provisions	19	19,415	60,227	26,103
Other	20	727,771	628,251	634,617
<b>Total non-current liabilities</b>		<b>1,044,480</b>	<b>870,223</b>	<b>914,455</b>
<b>Total liabilities</b>		<b>2,620,324</b>	<b>2,509,254</b>	<b>2,621,019</b>
<b>Net assets</b>		<b>106,318,825</b>	<b>102,145,190</b>	<b>94,162,771</b>
<b>EQUITY</b>				
Accumulated funds		82,209,833	80,040,261	75,505,550
Reserves		24,108,992	22,104,929	18,657,221
<b>Total equity</b>		<b>106,318,825</b>	<b>102,145,190</b>	<b>94,162,771</b>

The accompanying notes form part of these financial statements.  
See Note 32 for details regarding restated prior year balances.

# Roads and Maritime Services

## Statement of changes in equity

for the five month period ended 30 November 2019

	Notes	Accumulated funds \$ '000	Asset revaluation surplus \$ '000	Hedge reserves \$ '000	Total equity \$ '000
<b>Balance at 1 July 2019</b>	<b>32</b>	<b>79,974,748</b>	<b>23,272,056</b>	<b>-</b>	<b>103,246,804</b>
Restatement of infrastructure assets	32	65,513	(1,167,127)	-	(1,101,614)
<b>Restated balance at 1 July 2019</b>	<b>32</b>	<b>80,040,261</b>	<b>22,104,929</b>	<b>-</b>	<b>102,145,190</b>
<b>Net result for the period</b>		<b>2,140,427</b>	<b>-</b>	<b>-</b>	<b>2,140,427</b>
<b>Other comprehensive income</b>					
Net gains/(losses) in commodity swaps and foreign exchange		-	-	33	33
Net increase/(decrease) in property, plant and equipment revaluation surplus	11	-	2,033,175	-	2,033,175
<b>Total other comprehensive income for the period</b>		<b>-</b>	<b>2,033,175</b>	<b>33</b>	<b>2,033,208</b>
<b>Total comprehensive income for the period</b>		<b>2,140,427</b>	<b>2,033,175</b>	<b>33</b>	<b>4,173,635</b>
<b>Transfers within equity</b>					
Asset revaluation reserve balance transferred to accumulated funds on disposal of assets		29,145	(29,145)	-	0
<b>Balance at 30 November 2019</b>		<b>82,209,833</b>	<b>24,108,959</b>	<b>33</b>	<b>106,318,825</b>
<b>Balance at 1 July 2018</b>	<b>32</b>	<b>75,493,532</b>	<b>19,645,587</b>	<b>-</b>	<b>95,139,119</b>
Restatement of infrastructure assets	32	12,018	(988,366)	-	(976,348)
Changes in accounting Policy		2,110	-	-	2,110
<b>Restated balance at 1 July 2018</b>		<b>75,507,660</b>	<b>18,657,221</b>	<b>-</b>	<b>94,164,881</b>
<b>Net result for the year</b>		<b>4,478,935</b>	<b>-</b>	<b>-</b>	<b>4,478,935</b>
<b>Other comprehensive income</b>					
Net increase/(decrease) in property, plant and equipment revaluation surplus	11	-	3,504,879	-	3,504,879
<b>Total other comprehensive income for the year</b>		<b>-</b>	<b>3,504,879</b>	<b>-</b>	<b>3,504,879</b>
<b>Total comprehensive income for the year</b>		<b>4,478,935</b>	<b>3,504,879</b>	<b>-</b>	<b>7,983,814</b>
<b>Transfers within equity</b>					
Asset revaluation reserve balance transferred to accumulated funds on disposal of assets		57,171	(57,171)	-	-
<b>Transactions with owners in their capacity as owners</b>					
Increase/(decrease) in net assets from equity transfers	21	(3,505)	-	-	(3,505)
<b>Restated balance at 30 June 2019</b>		<b>80,040,261</b>	<b>22,104,929</b>	<b>-</b>	<b>102,145,190</b>

The accompanying notes form part of these financial statements.

See Note 32 for details regarding restated prior year balances.

## Roads and Maritime Services

### Statement of cash flows

for the five month period ended 30 November 2019

	Notes	Actual November 2019 \$'000	Actual June 2019 \$'000
<b>Cash flows from operating activities</b>			
<b>Payments</b>			
Personnel services and employee related		(195,926)	(437,288)
Grants and subsidies		(145,619)	(494,190)
Finance costs		(7,477)	(21,388)
Other		(898,572)	(2,286,226)
<b>Total payments</b>		<b>(1,247,594)</b>	<b>(3,239,092)</b>
<b>Receipts</b>			
Sale of goods and services		331,580	884,300
Retained taxes, fees and fines		29,169	71,601
Interest received		1,980	6,253
Other grants and contributions		553,050	1,832,534
Other		316,140	595,771
Operating grants received from TfNSW		827,169	1,692,098
Capital grants received from TfNSW		1,961,346	4,249,120
<b>Total receipts</b>		<b>4,020,434</b>	<b>9,331,677</b>
<b>Net cash flows from operating activities</b>	<b>25</b>	<b>2,772,840</b>	<b>6,092,585</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of land and buildings, plant and equipment and infrastructure systems		93,259	111,303
Purchases of land and buildings, plant and equipment and infrastructure systems		(2,973,872)	(6,163,617)
Proceeds from other financial assets		-	155,000
<b>Net cash flows from investing activities</b>		<b>(2,880,613)</b>	<b>(5,897,314)</b>
<b>Cash flows from financing activities</b>			
Payment of lease liabilities	18	(47,336)	(60,558)
<b>Net cash flows from financing activities</b>		<b>(47,336)</b>	<b>(60,558)</b>
<b>Net increase / (decrease) in cash</b>		<b>(155,109)</b>	<b>134,713</b>
Opening cash and cash equivalents	7	1,021,552	886,839
<b>Closing cash and cash equivalents</b>		<b>866,443</b>	<b>1,021,552</b>

The accompanying notes form part of these financial statements.

## **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.

The Transport Administration Amendment (RMS Dissolution) Bill 2019 assented on 22 November 2019 dissolved Roads and Maritime Services on 1 December 2019. On dissolution, RMS' assets, rights, liabilities and functions were transferred to Transport for NSW and will be used, recovered or settled in the normal course of business by the transferee. As a result RMS is required to prepare a final set of financial statements for the five month period ended 30 November 2019. From 1 December 2019, any references to RMS will be legally taken to mean TfNSW and this includes references in existing or newly created documents or in legal proceedings already underway.

The financial statements for the period 1 July to 30 November 2019 are prepared on a going concern basis since the operations of RMS will continue under Transport for NSW. Amounts presented in the financial statements are not entirely comparable due to the shorter period reported in the current year.

The financial statements for the five month period ended 30 November 2019 have been authorised for issue by the Secretary and Deputy Secretary of Transport for NSW on the date the accompanying Statement 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 (the Act)* and *Public Finance and Audit Regulation 2015* and
- Treasurer's Directions issued under the Act.

#### **Fair value**

Property, plant and equipment, investment property, assets (or disposal groups) held for sale, and certain financial assets and liabilities are measured at fair value. Non-current assets held for sale are valued at the lower of carrying amount and fair value less costs to sell.

#### **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(l) 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 dollars.

## **Roads and Maritime Services**

### **Notes to the financial statements**

for the five month period ended 30 November 2019

---

#### **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 Interpretations.

##### **(d) 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 are recoverable from, or payable to, the ATO are classified as operating cash flows.

##### **(e) Foreign currency translation**

Transactions in foreign currencies are recorded using the spot rate at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the end of the reporting date.

Differences arising on settlement or translation of monetary items are recognised in net result.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is recognised in other comprehensive income or net result, in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or net results, respectively).

##### **(f) 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. Comparatives have been adjusted to reflect prior period adjustments. Refer to Note 32.

The comparative information is for the 12 months period ended 30 June 2019 whereas the current information is for the 5 month period ended 30 November 2019.

## **1. Summary of significant accounting policies (Continued)**

### **(g) Changes in accounting policy, including new or revised Australian Accounting Standards**

#### **(i) Effective for the first time in FY2019-20**

RMS applied AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of Not-for-Profit Entities, and AASB 16 Leases for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in FY2019-20, but do not have an impact on the financial statements of RMS.

##### **AASB 15 Revenue from Contracts with Customers**

AASB 15 supersedes AASB 111 Construction Contracts, AASB 118 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

AASB 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures.

In accordance with the transition provisions in AASB 15, RMS has adopted the modified retrospective option with the cumulative effect of initially applying the standard recognised at the date of initial application, i.e. 1 July 2019. Therefore comparatives for the year ended 30 June 2019 have not been restated.

The effect of adopting AASB 15 was not material to RMS.

##### **AASB 1058 Income of Not-for-Profit Entities**

AASB 1058 replaces most of the existing requirements in AASB 1004 *Contributions*. The scope of AASB 1004 is now limited mainly to contributions by owners (including parliamentary appropriations that satisfy the definition of a contribution by owners), administrative arrangements and liabilities of government departments assumed by other entities.

AASB 1058 applies to income with a donation component, i.e. transactions where the consideration to acquire an asset is significantly less than fair value principally to enable a not-for-profit entity to further its objectives; and volunteer services. AASB 1058 adopts a residual approach, meaning that entities first apply other applicable Australian Accounting Standards (e.g. AASB 1004, AASB 15, AASB 16, AASB 9, and AASB 137) to a transaction before recognising income.

Not-for-profit entities need to determine whether a transaction is/contains a donation (accounted for under AASB 1058) or a contract with a customer (accounted for under AASB 15).

AASB 1058 requires recognition of receipt of an asset, after the recognition of any related amounts in accordance with other Australian Accounting Standards, as income:

- when the obligations under the transfer is satisfied, for transfers to enable an entity to acquire or construct a recognisable non-financial asset that will be controlled by RMS.
- immediately, for all other income within the scope of AASB 1058.

## **1. Summary of significant accounting policies (Continued)**

### **(g) Changes in accounting policy, including new or revised Australian Accounting Standards (continued)**

#### **(i) Effective for the first time in FY2019-20 (Continued)**

In accordance with the transition provisions in AASB 1058, RMS has adopted the modified retrospective option with the cumulative effect of initially applying the standard at the date of initial application, i.e. 1 July 2019. RMS has adopted the practical expedient in AASB 1058 whereby existing assets acquired for consideration significantly less than fair value principally to enable RMS to further its objectives, are not restated to their fair value.

The effect of adopting AASB 1058 was not material to RMS.

#### **AASB 16 Leases**

AASB 16 supersedes AASB 117 *Leases*, Interpretation 4 *Determining whether an Arrangement contains a Lease*, Interpretation 115 *Operating Leases – Incentives* and Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

##### *Lessor accounting*

Lessor accounting under AASB 16 is substantially unchanged from AASB 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in AASB 117. Therefore, AASB 16 does not have a significant impact for leases where RMS is the lessor.

##### *Lessee accounting*

AASB 16 requires RMS to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under AASB 117. As the lessee, RMS recognises a lease liability and right-of-use asset at the inception of the lease. The lease liability is measured at the present value of the future lease payments, discounted using the interest rate implicit in the lease, or the lessee's incremental borrowing rate if the interest rate implicit in the lease cannot be readily determined. The corresponding right-of-use asset is measured at the value of the lease liability adjusted for lease payments before inception, lease incentives, initial direct costs and estimates of costs for dismantling and removing the asset or restoring the site on which it is located.

RMS has adopted the partial retrospective option in AASB 16, where the cumulative effect of initially applying AASB 16 is recognised on 1 July 2019 and the comparatives for the year ended 30 June 2019 are not restated.

In relation to leases that had previously been classified as 'operating leases' under AASB 117, a lease liability is recognised at 1 July 2019 at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 1.42% for leases up to five years, 2.00% for leases between 5 and 10 years, and 2.42% for leases greater than 10 years.

The corresponding right-of-use asset is initially recorded on transition at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 30 June 2019. The exception is right-of-use assets that are subject to accelerated depreciation. These assets are measured at their fair value at 1 July 2019.

# Roads and Maritime Services

## Notes to the financial statements

for the five month period ended 30 November 2019

### 1. Summary of significant accounting policies (Continued)

#### (g) Changes in accounting policy, including new or revised Australian Accounting Standards (continued)

##### (i) Effective for the first time in FY2019-20 (Continued)

RMS elected to use the practical expedient to expense lease payments for lease contracts that, at their commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is valued at \$10,000 or under when new (low-value assets).

In applying AASB 16 for the first time, RMS has used the following practical expedients permitted by the standard:

- not reassess whether a contract is, or contains, a lease at 1 July 2019, for those contracts previously assessed under AASB 117 and Interpretation 4.
- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on its previous assessment on whether leases are onerous immediately before the date of initial application as an alternative to performing an impairment review
- not recognise a lease liability and right-of-use-asset for short-term leases that end within 12 months of the date of initial application
- excluding the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- using hindsight in determining the lease term where the contract contained options to extend or terminate the lease

The effect of adopting AASB 16 as at 1 July 2019 (increase/(decrease)) is, as follows:

	<b>\$'000</b>
<b>Assets</b>	
Property, plant and equipment	197,367
<b>Total assets</b>	<b>197,367</b>
<b>Liabilities</b>	
Borrowings	195,876
<b>Total liabilities</b>	<b>195,876</b>

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of 30 June 2019, as follows:

	<b>\$'000</b>
Operating lease commitments as at 30 June 2019 (GST included)	192,489
(Less): GST included in operating lease commitments	(17,499)
<b>Operating lease commitments as at 30 June 2019 (GST excluded)</b>	<b>174,990</b>
(Less): commitments relating to short-term leases	(4,982)
(Less): commitments relating to leases of low-value assets	(551)
Add: contracts re-assessed as lease contracts not previously included as an operating lease commitment	18,770
Add: adjustments made to operating lease commitments for the exercise of options, changes future indexation of leases and discounting for the incremental borrowing rate	7,649
<b>Lease liabilities as at 1 July 2019*</b>	<b>195,876</b>

The weighted average incremental borrowing rate applied on the lease portfolio as at 1 July 2019 was 2.04%

\*Note that the lease liability balance as at 1 July 2019 will not agree to total leases per Note 18 Borrowings. This is due to AASB 16 paragraph Aus3.1, which excludes the application of AASB 16 *Leases* on service concession assets that will be recognised under AASB 1059 *Service Concession Arrangements: Grantors*.



## Roads and Maritime Services

### Notes to the financial statements

for the five month period ended 30 November 2019

---

#### 1. Summary of significant accounting policies (Continued)

##### (g) Changes in accounting policy, including new or revised Australian Accounting Standards (continued)

###### (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:

###### **AASB 1059 Service Concession Arrangements: Grantors,**

- AASB 1059 *Service Concession Arrangements: Grantors* (AASB 1059) is effective from reporting periods commencing on or after 1 January 2020.
- AASB 1059 addresses the accounting for a service concession arrangement by a grantor that is a public sector entity by prescribing the accounting for the arrangement from the grantor's perspective.
- It applies to arrangements that involve an operator providing public services related to a service concession asset on behalf of a public sector grantor for a specified period of time and managing at least some of those services. An arrangement within the scope of this Standard typically involves an operator constructing the assets used to provide the public service or upgrading the assets (for example, by increasing their capacity) and operating and maintaining the assets for a specified period of time. Such arrangements are often described as build-operate-transfer or rehabilitate-operate-transfer service concession arrangements or public-private partnerships (PPPs).
- The Standard requires the grantor to:
  - a) recognise a service concession asset constructed, developed or acquired from a third party by the operator,
  - b) reclassify an existing asset as a service concession asset when it meets the criteria for recognition as a service concession asset;
  - c) initially measure a service concession asset constructed, developed or acquired by the operator or reclassified by the grantor at current replacement cost in accordance with the cost approach to fair value in AASB 13 and subsequently measure it in accordance with AASB 116 or AASB 138;
  - d) recognise a corresponding liability measured initially at the fair value (current replacement cost) of the service concession asset, adjusted for any other consideration between the grantor and the operator.
- Currently, under TPP 06-8 Accounting for Privately Financed Projects, RMS records an increase in emerging asset and revenue until the end of the concession period at which point the assets revert back to RMS.
- From 1 July 2020 RMS is required to record the value of the assets at current replacement cost during the period of construction along with a corresponding liability to the operator. Depreciation for the assets will also be recognised in RMS' operating statement.
- The value of impact to RMS' financial statements is being determined prior to application of this standard and is anticipated to be material.

##### (h) Personnel services income

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

## **1. Summary of significant accounting policies (Continued)**

### **(i) Inventories held-for-distribution**

Inventories consist mainly of raw materials and supplies used for the construction and maintenance of roads, bridges and traffic signals.

Inventories held for distribution are initially measured at cost, adjusted when applicable, for any loss of service potential. A loss of service potential is identified and measured based on the existence of a current replacement cost that is lower than the carrying amount. Cost is calculated using either the weighted average cost or "first in first out" method.

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. 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.

### **(j) 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 11.

#### **(ii) Hedge reserve**

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and is accumulated in the hedge reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line as the recognised hedged item.

#### **(iii) Accumulated Funds**

The category of 'Accumulated Funds' includes all current and prior period retained funds.

### **(k) Changes in accounting estimates**

There have been no changes in accounting estimates for the five month period to 30 November 2019.

Useful lives were revised in the 2019 comprehensive revaluation of traffic signal and traffic control network assets to better reflect the assets' effective lives. In some cases, the remaining useful lives were extended for some asset components. The external valuer engaged for the revaluation considered obsolescence in the valuation approach and has further componentised assets into technical and structural components where possible, and applied separate useful lives. The change in the useful life assumptions was recognised as change in estimates and recognised prospectively in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

## Roads and Maritime Services

### Notes to the financial statements

for the five month period ended 30 November 2019

---

#### 1. Summary of significant accounting policies (Continued)

##### (l) 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 & Intangible assets	Note 11 and Note 13(b)
Private sector provided infrastructure	Note 13(a)
Non-current assets held for sale	Note 14
Borrowings	Note 18
Provisions	Note 19
Contingent assets and contingent liabilities	Note 23

##### (m) Program Group Statements

NSW Treasury mandates the application of AASB 1052 Disaggregated Disclosure to entities where the program group information is included in the budget paper. The 2019-20 Budget Paper presented to the NSW Parliament does not make any reference to state outcomes specifically delivered by Roads and Maritime, therefore, program group statements are not presented in these financial statements.

**Roads and Maritime Services**  
**Notes to the financial statements**  
for the five month period ended 30 November 2019

**2. Expenses excluding losses**

**(a) Personnel services expenses**

	<b>November 2019 \$'000</b>	<b>June 2019 \$'000</b>
Personnel services expenses comprise the following specific items:		
Salaries and wages (including annual leave)	163,327	370,730
Superannuation - defined benefit plans	3,449	8,462
Superannuation - defined contribution plans	14,002	30,623
Long service leave	19,233	38,492
Payroll tax and fringe benefits tax	11,033	25,328
Redundancy payments	641	6,606
Workers' compensation insurance	2,435	4,859
<b>Personnel services expenses</b>	<b>214,120</b>	<b>485,100</b>
Allocations of personnel service costs to programs:		
- Capitalised to infrastructure	138,290	298,868
- Operating programs (including maintenance costs)	214,120	485,100
	<b>352,410</b>	<b>783,968</b>

Note 11 details the nature of personnel services capitalised.

Included in the above are personnel services expenses of \$53.2 million (June 2019: \$123.70 million) related to maintenance.

## Roads and Maritime Services

### Notes to the financial statements

for the five month period ended 30 November 2019

## 2. Expenses excluding losses (continued)

### (b) Other operating expenses

	November 2019 \$'000	June 2019 \$'000
Auditor's remuneration - audit of financial statements	490	804
Advertising	1,016	2,895
Maintenance	115,504	346,715
Contract payments	77,724	97,181
Data processing	19,072	63,971
Contingent rent	406	796
Fleet hire and lease charges	14,931	40,460
Lease and property expenses	8,114	36,098
M5 Cashback refund	50,949	118,159
Office expenses	7,032	43,285
Payments to councils and external bodies	3,467	22,049
Special number plates concession fees	11,922	27,406
Sydney Harbour Tunnel operating fees	14,536	33,871
Travel, insurance and legal expenses	16,744	42,529
Consultants and other contractors	80,370	185,623
Other	32,968	68,352
Share services charges	120,482	277,258
<b>Other operating expenses</b>	<b>575,727</b>	<b>1,407,452</b>

## Recognition and Measurement

### Shared services charges

Shared services charges represent services provided by Service NSW and TfNSW Shared Services to RMS. The charges are recognised as incurred.

### 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.

### Maintenance expense

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

### Lease expense (up to 30 June 2019)

Up to 30 June 2019, operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term. An operating lease is a lease other than a finance lease.

### Lease expense (from 1 July 2019)

From 1 July 2019, RMS recognises the lease payments associated with the following types leases as an expense on a straight-line basis:

- leases that meet the definition of short-term. i.e. where the lease term at commencement of the lease is 12 months or less. This excludes leases with a purchase option.
- leases of assets that are valued at \$10,000 or under when new.

## Roads and Maritime Services

### Notes to the financial statements

for the five month period ended 30 November 2019

## 2. Expenses excluding losses (continued)

### (b) Other operating expenses (Continued)

Variable lease payments not included in the measurement of the lease liability (i.e. variable lease payments that do not depend on an index or a rate, initially measured using the index or rate as at the commencement date). These payments are recognised in the period in which the event or condition that triggers those payments occurs.

### (c) Reconciliation of total maintenance

	Notes	November 2019 \$000	June 2019 \$000
Operational maintenance in Note 2(b)		115,504	346,715
Corporate services, information technology and telecommunication expenses		12,715	27,815
Lease and rental expenses		21,357	38,868
Payments to councils and external bodies for state road works		115	1,002
Other		2,675	5,884
<b>Maintenance expense in other operating expenses</b>		<b>152,366</b>	<b>420,284</b>
Maintenance related to personnel services expenses in Note 2(a)		53,162	123,688
<b>Total maintenance expense including personnel services related</b>		<b>205,528</b>	<b>543,972</b>
Maintenance grants to councils for local road works in Note 2(e)		93,865	289,085
Capitalised maintenance		231,851	535,509
<b>Total maintenance program</b>		<b>531,244</b>	<b>1,368,566</b>

### Recognition and Measurement

Major reconstruction costs for road segments on State roads are capitalised and as such not charged against maintenance expenditure. RMS capitalised \$231.9 million (June 2019: \$535.5 million) of such works during the period.

### (d) Depreciation and amortisation

	Notes	November 2019 \$'000	Restated June 2019 \$'000
Depreciation of operational and property assets		28,576	32,429
Depreciation of infrastructure assets	11	593,396	1,457,435
<b>Depreciation of property, plant and equipment</b>		<b>621,972</b>	<b>1,489,864</b>
Amortisation of intangible assets	13(b)	14,709	36,746
<b>Depreciation and amortisation</b>		<b>636,681</b>	<b>1,526,610</b>
<b>Reconciliation to Note 11 - Depreciation of operational and property assets</b>			
Depreciation of operational and property assets		28,576	
Right of use depreciation capitalised to infrastructure		5,014	
	11	<b>33,590</b>	

Refer to Note 11, 13(b) and 15(b) for recognition and measurement policies on depreciation and amortisation.

## Roads and Maritime Services

### Notes to the financial statements

for the five month period ended 30 November 2019

## 2. Expenses excluding losses (continued)

### (e) Grants and subsidies

	Notes	November 2019 \$'000	Restated June 2019 \$'000
Grants to councils		129,731	467,626
Infrastructure assets transferred to councils and NSW government agencies	11(c)	19,175	33,983
Other grants and subsidies		15,888	25,862
Contribution to National Heavy Vehicle Regulator		-	701
<b>Grants and subsidies</b>		<b>164,794</b>	<b>528,172</b>

### Recognition and Measurement

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.

Of the \$129.7 million (June 2019: \$467.6 million) in Grants to Councils, RMS expensed \$1.0 million in the five month period ended 30 November 2019 (June 2019: \$76.7 million) on natural disaster restoration works from State funds, and \$107.5 million in the five month period ended 30 November 2019 (June 2019: \$287.3 million) on block grants and other maintenance grants to councils for regional and local roads.

In the year ended 30 June 2019, the arrangement for collection of the regulatory fee in association with the National Heavy Vehicle Regulator changed. RMS now remits all Heavy Vehicle regulatory fees to the National Heavy Vehicle Regulator. Refer to Note 27.

### (f) Finance costs

	November 2019 \$'000	June 2019 \$'000
Finance lease interest charges	7,477	21,236
Other	123	496
Interest expense – Lease Liabilities	1,030	-
<b>Finance costs</b>	<b>8,630</b>	<b>21,732</b>

### Recognition and Measurement

Finance costs consist of interest and other costs incurred in connection with the borrowing of funds. Borrowing costs are recognised as expenses in the period in which they are incurred, in accordance with Treasury's Mandate to not-for-profit NSW GGS entities.

**Roads and Maritime Services**  
**Notes to the financial statements**  
for the five month period ended 30 November 2019

### 3. Revenue

#### Recognition and Measurement

Until 30 June 2019, income is recognised in accordance with AASB 111 Construction Contracts, AASB 118 Revenue and AASB 1004 Contributions.

From 1 July 2019, income is recognised in accordance with the requirements of AASB 15 Revenue from Contracts with Customers or AASB 1058 Income of Not-for-Profit Entities, dependent on whether there is a contract with a customer defined by AASB 15 Revenue from Contracts with Customers. Comments regarding the accounting policies for the recognition of income are discussed below.

#### (a) Revenue from contracts with customers / Sale of goods and services

	November 2019 \$'000	June 2019 \$'000
<b>Sale of goods</b>		
Number plates	62,601	149,433
Publications	3,355	7,660
<b>Rendering of services</b>		
Advertising	7,425	16,852
Boat licenses	11,106	24,832
Boat registrations	10,974	25,944
Channel fees	4,036	9,840
Fees for services	31,409	72,390
Heavy vehicle permit fees	227	685
Miscellaneous services	9,733	15,389
Moorings	4,148	9,169
General maritime revenue	34	257
Rental income	24,425	64,893
Third party insurance data access charges	2,085	4,539
Toll and tag revenue	64,653	157,809
Works and services	31,942	103,773
<b>Sale of goods and services</b>	<b>268,153</b>	<b>663,465</b>

#### Recognition and Measurement

##### Up to 30 June 2019

##### Sale of goods

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.

##### Rendering of services

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

##### From 1 July 2019

##### Sale of goods

Revenue from sale of goods is recognised as when RMS satisfies a performance obligation by transferring the promised goods. RMS typically satisfies its performance obligations when control of the goods is transferred to the customers. The payments are typically due when performance obligations have been satisfied.

Revenue from these sales is recognised based on the price specified in the contract, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as the sales are made with a short credit term. No volume discount or warranty is provided on the sale.



### 3. Revenue (continued)

#### (a) Revenue from contracts with customers / Sale of goods and services (Continued)

##### *Rendering of services*

Revenue from rendering of services is recognised when RMS satisfies the performance obligation by transferring the promised services. RMS typically satisfies its performance obligations when the service is provided or by reference to the stage of completion. The payments are typically due after performance obligations have been satisfied.

The revenue is measured at the transaction price agreed under the contract. No element of financing is deemed present as payments are due when service is provided.

##### *Rental income*

Rental income arising from operating leases is accounted for on a straight-line basis over the lease term.

#### (b) Investment revenue

	November 2019 \$'000	June 2019 \$'000
Interest	1,980	15,146
Amortisation of zero interest Sydney Harbour Tunnel loan	5,019	11,247
Net gain / (loss) from TCorp IM Funds designated at fair value through profit or loss	4,555	8,049
M2 and Eastern Distributor promissory notes	3,375	1,782
<b>Investment revenue</b>	<b>14,929</b>	<b>36,224</b>

##### **Recognition and Measurement**

Interest revenue is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For financial assets that become credit impaired, the effective interest rate is applied to the amortised cost of the financial asset (i.e. after deducting the loss allowance for expected credit losses).

#### (c) Retained taxes, fees and fines

	November 2019 \$'000	June 2019 \$'000
Sanction fees payable under the Fines Act	5,752	14,272
National Heavy Vehicle Regulator charges	23,417	57,329
<b>Retained taxes, fees and fines</b>	<b>29,169</b>	<b>71,601</b>

##### **Recognition and Measurement**

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

**Roads and Maritime Services**  
**Notes to the financial statements**  
for the five month period ended 30 November 2019

**3. Revenue (continued)**

**(d) Grants from Transport for NSW (TfNSW)**

	<b>November 2019 \$'000</b>	<b>June 2019 \$'000</b>
<b>Operating grant</b>		
Grant to fund general operations including maintenance	827,169	1,692,098
<b>Capital grant</b>		
Grants to fund investment in infrastructure network development	1,976,567	4,372,754
<b>Grants from Transport for NSW (TfNSW)</b>	<b>2,803,736</b>	<b>6,064,852</b>

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 as per Note 3(e).

Of the \$1,976.6 million capital grant above, \$769.1 million relates to federal funding (June 2019: \$1,228.2 million of \$4,372.8 million). The equivalent figure for the federal recurrent grant is \$42.6 million (June 2019: \$165.6 million). Federal funding is appropriated to TfNSW through NSW Treasury.

**(e) Other grants and contributions**

	<b>November 2019 \$'000</b>	<b>Restated June 2019 \$'000</b>
NSW Government agencies		
- TfNSW	519,768	1,674,596
- Other	28,213	120,303
Local government	2,124	46,376
Other government agencies	-	13,727
Private firms and individuals	2,944	6,023
<b>Other grants and contributions</b>	<b>553,049</b>	<b>1,861,025</b>

**Recognition and Measurement**

**Up to 30 June 2019**

Income from grants (other than contribution by owners) is recognised when RMS obtains control over the contribution. RMS is deemed to have assumed control when the grant is received or receivable.

Contributions are recognised at their fair value. Contributions of services are recognised when and only when a fair value of those services can be reliably determined and the services would be purchased if not donated

**From 1 July 2019**

Income from grants to acquire/construct a recognisable non-financial asset to be controlled by RMS is recognised when obligations under the transfer are satisfied. RMS satisfies the performance obligation under the transfer over time as the non-financial assets are being constructed. The percentage of cost incurred is used to recognise income, because this most closely reflects the progress to completion.

### 3. Revenue (continued)

#### (e) Other grants and contributions (Continued)

Income from grants without sufficiently specific performance obligations is recognised when RMS obtains control over the granted assets (e.g. cash).

Receipt of volunteer services is recognised when and only when the fair value of those services can be reliably determined and the services would have been purchased if not donated. Receipt of these services is not recognised because the services would not have been purchased if not donated.

#### (f) Other income

	Notes	November 2019 \$'000	June 2019 \$'000
Value of emerging interest of Private Sector Provided Infrastructure (PSPI)			
- M2 Motorway/M2 Widening	13(a)	16,378	37,298
- M4 Motorway/M4 Widening	13(a)	2,875	6,290
- M4 Motorway/New M4	13(a)	63,388	-
- M5 South-West Motorway	13(a)	23,491	49,786
- Eastern Distributor	13(a)	10,536	23,730
- Cross City Tunnel	13(a)	14,293	32,522
- Westlink M7 Motorway	13(a)	31,000	70,447
- Lane Cove Tunnel	13(a)	19,069	43,163
Amortisation of deferred revenue on PSPI projects		8,999	19,032
Principal arranged insurance refund		-	8,503
Recognition of operational and property assets		-	9,051
Recognition of infrastructure assets	11(c)	-	2,036
Other boating fees		405	1,802
Resources received free of charge	26	24,933	59,314
Other (including professional services revenue)		30,879	26,833
<b>Other income</b>		<b>246,246</b>	<b>389,807</b>

#### Recognition and Measurement

##### ***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.

##### ***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.

##### ***Resources received free of charge***

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

## Roads and Maritime Services

### Notes to the financial statements

for the five month period ended 30 November 2019

#### 4. Gain/(loss) on disposal

	Notes	November 2019 \$'000	June 2019 \$'000
<b>Net gain/(loss) on sale of property, plant and equipment</b>			
Proceeds from sale		647	1,945
Carrying amount of assets sold	11	(1,241)	(3,231)
<b>Net gain/(loss) on sale of property, plant and equipment</b>		<b>(594)</b>	<b>(1,286)</b>
<b>Net gain/(loss) on disposal of intangible assets</b>			
Carrying amount of assets sold	13(b)	-	(223)
<b>Net gain/(loss) on disposal of intangible assets</b>		<b>-</b>	<b>(223)</b>
<b>Net gain / (loss) on sale of property, plant and equipment and Intangibles</b>		<b>(594)</b>	<b>(1,509)</b>
<b>Net gain/(loss) on sale of non-current assets held for sale</b>			
Proceeds from sales		2,320	37,293
Carrying amount of assets sold	14	(2,124)	(37,446)
<b>Net gain/(loss) on sale of non-current assets held for sale</b>	14	<b>196</b>	<b>(153)</b>
<b>Net gain/(loss) on disposal</b>		<b>(398)</b>	<b>(1,662)</b>

#### 5. Other gains/(losses)

	Notes	November 2019 \$'000	Restated June 2019 \$'000
Carrying amount of Infrastructure assets written off	6	(81,669)	(214,304)
Net revaluation increment/(decrement) recognised in net result	6	(89,255)	(423,002)
<b>Other gains/(losses)</b>		<b>(170,924)</b>	<b>(637,306)</b>

#### Recognition and Measurement

Gains and losses include gains and losses on disposals and fair value adjustments to physical and financial assets, and financial liabilities. 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.

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 11(c)).

## Roads and Maritime Services

### Notes to the financial statements

for the five month period ended 30 November 2019

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

	Notes	November 2019 \$'000	Restated June 2019 \$'000
<b>Carrying amount of Infrastructure assets written off</b>	<b>5 and 11(c)</b>	<b>81,669</b>	<b>214,304</b>

The following infrastructure assets were written off in the five month period ended 30 November 2019 and the year ended 30 June 2019

	Carrying value November 2019 \$'000	Replacement costs November 2019 \$'000	Accumulated depreciation November 2019 \$'000	Carrying value June 2019 \$'000	Replacement costs June 2019 \$'000	Accumulated depreciation June 2019 \$'000
Roads	69,311	102,259	(32,948)	162,133	381,405	(219,272)
Bridges	9,099	27,596	(18,497)	4,226	8,889	(4,663)
Maritime assets	-	-	-	1,398	3,535	(2,137)
Work in progress	-	-	-	29,308	29,308	-
Traffic signals network	114	447	(333)	2,045	9,650	(7,605)
Traffic controls network	3,145	10,164	(7,019)	15,194	32,503	(17,309)
<b>Infrastructure assets written off</b>	<b>81,669</b>	<b>140,466</b>	<b>(58,797)</b>	<b>214,304</b>	<b>465,290</b>	<b>(250,986)</b>

	Notes	November 2019 \$'000	June 2019 \$'000
<b>Net revaluation increment/(decrement) recognised in net result</b>	<b>5 and 11</b>	<b>(89,255)</b>	<b>(423,002)</b>

The following land & buildings and infrastructure assets were written down and/ or written back through the net result in the five month period ended 30 November 2019 and the year ended 30 June 2019:

	Notes	Carrying value November 2019 \$'000	Carrying value June 2019 \$'000
Traffic signals network		-	69,226
<b>Infrastructure systems</b>	<b>11(c)</b>	<b>-</b>	<b>69,226</b>
Land and buildings acquired for future roadworks		(89,255)	(492,228)
<b>Land &amp; buildings</b>	<b>11(a)</b>	<b>(89,255)</b>	<b>(492,228)</b>
<b>Land &amp; buildings and infrastructure assets (written down)/written back</b>		<b>(89,255)</b>	<b>(423,002)</b>

**Roads and Maritime Services**  
**Notes to the financial statements**  
for the five month period ended 30 November 2019

**7. Cash and cash equivalents**

Cash and cash equivalents recognised in the Statement of Financial Position comprise cash on hand, cash at bank and short-term deposits with original maturities of three months or less and subject to an insignificant risk of changes in value and includes other at-call deposits that are not quoted in an active market. These are considered to have an insignificant risk of changes in value.

	<b>November 2019</b>	<b>June 2019</b>
	<b>\$'000</b>	<b>\$'000</b>
RMS operating account**	752,120	909,817
Remitting account, cash in transit and cash on hand*	20,572	14,548
On call deposits**	57,489	57,268
Other**	36,262	39,919
<b>Cash and cash equivalents</b>	<b>866,443</b>	<b>1,021,552</b>

\*The remitting account balance above does not include cash of \$29.4 million (June 2019: \$40.1 million) relating to administered revenue held by RMS as at 30 November 2019 (refer to Note 28).

\*\* The cash account balances include restricted cash (refer to Note 16).

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

	<b>November 2019</b>	<b>June 2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash and cash equivalents (per statement of financial position)	866,443	1,021,552
<b>Closing cash and cash equivalents (per statement of cash flows)</b>	<b>866,443</b>	<b>1,021,552</b>

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

Details regarding credit risk, liquidity risk and market risk arising from financial instruments are disclosed in Note 30.

**Roads and Maritime Services**  
**Notes to the financial statements**  
for the five month period ended 30 November 2019

**8. Receivables**

	Notes	November 2019 \$'000	June 2019 \$'000
<b>(i) Current receivables</b>			
Trade receivables from contracts with customers		51,167	43,102
Other receivables		85,326	83,407
Less: Allowance for expected credit losses*		(8,824)	(8,333)
<b>Receivables</b>		<b>127,669</b>	<b>118,176</b>
Goods and services tax receivable		151,202	202,962
<b>Goods and Services Tax</b>		<b>151,202</b>	<b>202,962</b>
Prepayments		196,362	211,177
Property and other debtors		21,289	19,623
Prepayments Motorways		20,250	15,393
<b>Other</b>		<b>237,901</b>	<b>246,193</b>
Accrued interest		2	2
Property sales		6,639	96,931
Accrued other income		18,206	18,832
<b>Accrued Income</b>		<b>24,847</b>	<b>115,765</b>
<b>Current receivables</b>		<b>541,619</b>	<b>683,096</b>
<b>Movement in the allowance for expected credit losses:</b>			
Balance at 1 July		(8,333)	(9,944)
Amounts restated through opening accumulated funds		-	2,110
<b>Balance at 1 July under AASB 9</b>		<b>(8,333)</b>	<b>(7,834)</b>
(Increase)/decrease in allowance recognised in net results		(3,831)	(490)
Amounts written off/(back) during the period		3,340	(9)
<b>Balance at period end</b>		<b>(8,824)</b>	<b>(8,333)</b>
<b>(ii) Non-current receivables</b>			
Prepayments Motorways		2,331,384	1,944,719
Prepayments		4,400	17,239
<b>Non-current receivables</b>		<b>2,335,784</b>	<b>1,961,958</b>

\*The allowance for expected credit loss and 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.

^Prepayment Motorways represents RMS' contribution in cash and in kind for various Private Sector Provided Infrastructure projects.

Details regarding credit risk, liquidity risk and market risk arising from financial instruments are disclosed in Note 30.

## 8. Receivables (continued)

### Recognition and Measurement

Receivables are recognised initially at fair value, plus any directly attributable transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price.

### Subsequent measurement

RMS holds receivables with the objective to collect the contractual cash flows and therefore measures them at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

### Impairment

An allowance for expected credit losses (ECLs) is recognised for all debt financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows and all the cash flows that RMS expects to receive, discounted at the original effective interest rate.

For trade receivables, RMS applies a simplified approach in calculating ECLs. A loss allowance based on lifetime ECLs is recognised at each reporting date. RMS has established a provision matrix based on its historical credit loss experience for trade receivables, adjusted for forward-looking factors specific to the receivable.

## 9. Financial assets at fair value

	November 2019 \$'000	June 2019 \$'000
Foreign exchange derivatives - cash flow hedges	33	-
<b>Financial assets held for trading</b>	<b>33</b>	<b>-</b>
TCorp Hour-Glass Investment Facilities - long-term growth facility	40,123	38,140
TCorp Hour-Glass Investment Facilities - medium-term growth	84,046	81,475
<b>Financial assets at fair value through profit or loss</b>	<b>124,169</b>	<b>119,615</b>
<b>Financial assets at fair value</b>	<b>124,202</b>	<b>119,615</b>

### Recognition and Measurement

#### Foreign exchange derivatives – cash flow hedges

RMS holds derivative financial instruments to hedge its foreign currency risk exposure arising from overseas purchase commitments. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Embedded derivatives are separated from the host contract and accounted for separately if certain criteria are met.

At the inception of the hedge relationship, RMS documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, RMS documents whether the hedging instrument is effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that RMS actually hedges and the quantity of the hedging instrument that RMS actually uses to hedge that quantity of hedged item.



## **9. Financial assets at fair value (continued)**

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, RMS adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again

RMS has designated its forward currency contracts as cash flow hedges. The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income and included within the cash flow hedge reserve in equity, while any ineffective portion is recognised immediately in profit or loss.

At the time the hedged item affects profit or loss, any gain or loss previously recognised in other comprehensive income is transferred from equity to profit or loss and presented as a reclassification adjustment within other comprehensive income. However, if the hedged item is the cost of a non-financial asset or liability, the gains and losses previously recognised in other comprehensive income are included in the initial measurement of the hedged item.

RMS discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in cash flow hedge reserve is reclassified immediately to profit or loss

### ***Financial assets at fair value through profit or loss***

RMS' financial assets at fair value are classified, at initial recognition, as subsequently measured at fair value through profit or loss. Transaction costs of financial assets carried at fair value through profit or loss are expensed in net results.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. TCorpIM Funds are managed and their performance is evaluated on a fair value basis and therefore the business model is neither to hold to collect contractual cash flows nor sell the financial asset. Hence these investments are mandatorily required to be measured at fair value through profit or loss.

Notwithstanding the criteria to be classified at amortised cost or at fair value through other comprehensive income, financial assets may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

A gain or loss on a financial asset that is subsequently measured at fair value through profit or loss is recognised in net results and presented net within other gains/(losses), except for TCorpIM Funds that are presented in 'investment revenue' in the period in which it arises.

The movement in the fair value of the NSW TCorp IM Funds incorporates distributions received as well as unrealised movements in fair value and is reported in the line item 'investment revenue' at Note 3(b).

Details regarding credit risk, liquidity risk and market risk arising from financial instruments are disclosed in Note 30.

**Roads and Maritime Services**  
**Notes to the financial statements**  
for the five month period ended 30 November 2019

**10. Other financial assets**

	Notes	November 2019 \$'000	June 2019 \$'000
<b>(i) Current other financial assets</b>			
Loan to Sydney Harbour Tunnel Company		181,785	176,766
M2 and Eastern distributor operators Promissory notes	13(a)	62,630	59,255
<b>Non-current other financial assets</b>		<b>244,415</b>	<b>236,021</b>

**Recognition and Measurement**

Loans, promissory notes, held-to-maturity investments and other recoverable amounts are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are initially measured at fair value plus any transaction cost.

**Subsequent measurement**

*Financial assets at amortised cost*

Other financial assets are classified and subsequently measured at amortised cost as they are held for collection of contractual cash flows solely representing payments of principal and interest. Impairment losses are presented as separate line item in the statement of comprehensive income. Any gain or loss arising on derecognition is recognised directly in net results and presented in other gains/(losses).

Details regarding credit risk, liquidity risk and market risk arising from financial instruments are disclosed in Note 30.

**Impairment**

RMS recognises an allowance for expected credit losses (ECLs) for all debt financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows and the cash flows that RMS expects to receive, discounted at the original effective interest rate.

ECLs are recognised in two stages. For credit exposures where there has not been a significant increase in credit risk since initial recognition, ECLs are based on default events possible within the next 12-months (i.e. a 12-month ECL). If there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (i.e. a lifetime ECL). In addition, RMS considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

**Roads and Maritime Services**  
**Notes to the financial statements**  
for the five month period ended 30 November 2019

**11. Property, plant and equipment**

	Land and buildings \$ '000	Plant and equipment \$ '000	Infrastructure systems \$ '000	TOTAL \$ '000
<b>As at 1 July 2019 - fair value - restated</b>				
Gross carrying amount	3,660,068	243,391	123,427,560	127,331,019
Accumulated depreciation and impairment	(159,336)	(133,713)	(28,977,885)	(29,270,934)
<b>Net carrying amount</b>	<b>3,500,732</b>	<b>109,678</b>	<b>94,449,675</b>	<b>98,060,085</b>
<b>As at 30 November 2019 - fair value</b>				
Gross carrying amount	3,769,882	312,494	128,467,272	132,549,648
Accumulated depreciation and impairment	(179,270)	(140,370)	(30,183,804)	(30,503,444)
<b>Net carrying amount</b>	<b>3,590,612</b>	<b>172,124</b>	<b>98,283,468</b>	<b>102,046,204</b>

<b>As at 1 July 2018 - fair value - restated</b>				
Gross carrying amount	3,806,139	250,483	113,842,735	117,899,357
Accumulated depreciation and impairment	(145,253)	(145,112)	(26,435,706)	(26,726,071)
<b>Net carrying amount</b>	<b>3,660,886</b>	<b>105,371</b>	<b>87,407,029</b>	<b>91,173,286</b>
<b>At 30 June 2019 - fair value - restated</b>				
Gross carrying amount	3,660,068	243,391	123,427,560	127,331,019
Accumulated depreciation and impairment	(159,336)	(133,713)	(28,977,885)	(29,270,934)
<b>Net carrying amount</b>	<b>3,500,732</b>	<b>109,678</b>	<b>94,449,675</b>	<b>98,060,085</b>

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

**Period ended 30 November 2019**  
**Reconciliation**

	Notes	Land and buildings \$ '000	Plant and equipment \$ '000	Infrastructure systems \$ '000	TOTAL \$ '000
Net carrying amount at start of period		3,500,732	109,678	94,449,675	98,060,085
Recognition of right to use asset on initial application of AASB16	1(g)(i)	139,907	57,460	-	197,367
Adjusted net carrying amount at beginning of year		3,640,639	167,138	94,449,675	98,257,452
Additions		96,570	21,927	2,691,631	2,810,128
Net revaluation increments less revaluation decrements recognised in equity		(1,277)	-	2,034,452	2,033,175
Net revaluation increments less revaluation decrements recognised in net result	6	(89,255)	-	-	(89,255)
Disposals	4	(48)	(1,193)	-	(1,241)
Early retirement of leases	18	(10)	-	-	(10)
Asset write-off	6	-	-	(81,669)	(81,669)
Transfer (to)/from non-current assets held for sale		(20,251)	(115)	-	(20,366)
Reclassification between PPE classes		-	-	-	-
Reclassification between land and building classes		-	-	-	-
Transfer to infrastructure		(14,239)	-	14,239	-
Reclassifications (to)/from intangible assets	13(b)	-	(3,560)	(52)	(3,612)
Reclassifications (to)/from other assets		-	-	(227,458)	(227,458)
Depreciation expense	2(d)	(21,517)	(12,073)	(593,396)	(626,986)
Transfer to councils and NSW government agencies	2(e)	-	-	(19,175)	(19,175)
Transfer from other Transport agencies	25	-	-	15,221	15,221
<b>Net carrying amount at end of period</b>		<b>3,590,612</b>	<b>172,124</b>	<b>98,283,468</b>	<b>102,046,204</b>

## 11. 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 2019 Reconciliation - restated

	Notes	Land and buildings \$ '000	Plant and equipment \$ '000	Infrastructure systems \$ '000	TOTAL \$ '000
Net carrying amount at start of year		3,660,886	105,371	88,383,377	92,149,634
Restatement of infrastructure assets		-	-	(976,348)	(976,348)
Adjusted net carrying amount at beginning of year		3,660,886	105,371	87,407,029	91,173,286
Additions		392,224	15,886	5,012,712	5,420,822
Assets recognised for the first time		8,501	550	2,036	11,087
Net revaluation increments less revaluation decrements recognised in equity		19,828	-	3,485,051	3,504,879
Net revaluation increments less revaluation decrements recognised in net result	6	(492,228)	-	69,226	(423,002)
Disposals	4	(1,878)	(1,353)	-	(3,231)
Asset write-off	6	-	-	(214,304)	(214,304)
Transfer (to)/from non-current assets held for sale		(36,493)	(50)	-	(36,543)
Reclassification between PPE classes		-	2,101	(2,101)	-
Reclassification between land and building classes		-	-	-	-
Transfer to infrastructure		(30,185)	-	30,185	-
Reclassifications (to)/from intangible assets	13(b)	-	65	(278)	(213)
Reclassifications (to)/from other assets		-	-	14,971	14,971
Depreciation expense	2(d)	(19,537)	(12,892)	(1,457,435)	(1,489,864)
Assets transferred in/(out) through equity	21	(3,505)	-	-	(3,505)
Transfer to councils	2(e)	-	-	(33,983)	(33,983)
Transfer from councils		3,119	-	12,932	16,051
Transfer from other Transport agencies	25	-	-	123,634	123,634
<b>Net carrying amount at end of year</b>		<b>3,500,732</b>	<b>109,678</b>	<b>94,449,675</b>	<b>98,060,085</b>

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

From 1 July 2019, property, plant and equipment includes right-of-use assets. Further information on right-of-use assets is at Note 11.

## Roads and Maritime Services

### Notes to the financial statements

for the five month period ended 30 November 2019

#### 11. Property, plant and equipment (continued)

##### (a) Land and buildings

Period ended 30 November 2019

##### Reconciliation

	Land*	Administrative Buildings*	Land and buildings acquired for future roadworks**	Leasehold improvements	Leased Land & Buildings	TOTAL
Notes	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Net carrying amount at start of period	321,504	168,342	2,990,290	20,596	-	3,500,732
Recognition of right of use asset on initial application of AASB16	-	-	-	-	139,907	139,907
Adjusted net carrying amount at beginning of year	321,504	168,342	2,990,290	20,596	139,907	3,640,639
Additions	-	9,247	81,110	4,423	1,790	96,570
Net increase/decrease in asset revaluation reserve	-	-	(1,277)	-	-	(1,277)
Net revaluation increments less revaluation decrements recognised in net result	6	-	(89,255)	-	-	(89,255)
Disposals	(11)	-	-	(37)	-	(48)
Early retirement of leases	-	-	-	-	(10)	(10)
Assets transferred to/from non-current assets held for sale	-	-	(20,251)	-	-	(20,251)
Reclassification between land and building classes	(1,409)	(23,323)	6,058	18,674	-	-
Transfer to infrastructure	11(c)	-	(14,239)	-	-	(14,239)
Depreciation expense	-	(3,307)	-	(5,833)	(12,377)	(21,517)
<b>Net carrying amount at end of period</b>	<b>320,084</b>	<b>150,959</b>	<b>2,952,436</b>	<b>37,823</b>	<b>129,310</b>	<b>3,590,612</b>

\* Administrative Land and Buildings were last revalued during 2018-19 resulting in a net asset revaluation increment of \$19.8 million recognised through equity.

\*\* Land Acquired for Future Road works (LAFFRW) was comprehensively revalued during 2018-19 resulting in a decrease in the asset revaluation reserve of approximately \$132.2million. Further decreases have occurred with revaluation decrements arising from the transfers of LAFFRW to infrastructure. Total net revaluation decrement of \$89.2 million (June 2019:\$492.2 million decrement) has been recognised in the net result.

**Roads and Maritime Services**  
**Notes to the financial statements**

for the five month period ended 30 November 2019

**11. Property, plant and equipment (continued)**

**(a) Land and buildings (continued)**

**Year ended 30 June 2019**

**Reconciliation**

		Land*	Administrative buildings*	Land and buildings acquired for future roadworks**	Leasehold improvements	Leased Land & Buildings	TOTAL
	Notes	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Net carrying amount at start of year		300,574	157,902	3,176,279	26,131	-	3,660,886
Additions		-	22,463	367,145	2,616	-	392,224
Assets recognised for the first time		-	8,501	-	-	-	8,501
Net revaluation increments less revaluation decrements recognised in equity		20,930	(1,102)	-	-	-	19,828
Net revaluation increments less revaluation decrements recognised in net result	6	-	-	(492,228)	-	-	(492,228)
Disposals		-	(1,837)	-	(41)	-	(1,878)
Transfer (to)/from non-current assets held for sale		-	-	(36,493)	-	-	(36,493)
Reclassification between land and building classes		-	(276)	-	276	-	-
Transfer to infrastructure	11(c)	-	(6,158)	(24,027)	-	-	(30,185)
Depreciation expense		-	(11,151)	-	(8,386)	-	(19,537)
Assets transferred in/(out) through equity	21	-	-	(3,505)	-	-	(3,505)
Transfer from councils		-	-	3,119	-	-	3,119
<b>Net carrying amount at end of year</b>		<b>321,504</b>	<b>168,342</b>	<b>2,990,290</b>	<b>20,596</b>	<b>-</b>	<b>3,500,732</b>

**Roads and Maritime Services**  
**Notes to the financial statements**

for the five month period ended 30 November 2019

**11. Property, plant and equipment (continued)**

**(b) Plant and equipment**

**Period ended 30 November 2019**

**Reconciliation**

		Plant equipment and motor vehicles	Computer hardware	Electronic office equipment	Leased Plant & Equipment	TOTAL
	Notes	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Net carrying amount at start of period		106,914	2,000	764	-	109,678
Recognition of right of use asset on initial application of AASB16		-	-	-	57,460	57,460
Adjusted net carrying amount at beginning of year		106,914	2,000	764	57,460	167,138
Additions		6,893	-	-	15,034	21,927
Disposals		(1,172)	-	-	(21)	(1,193)
Transfer (to)/from non-current assets held for sale		(115)	-	-	-	(115)
Reclassifications (to)/from intangible assets		(3,560)	-	-	-	(3,560)
Depreciation expense		(4,098)	(347)	(28)	(7,600)	(12,073)
<b>Net carrying amount at end of period</b>		<b>104,862</b>	<b>1,653</b>	<b>736</b>	<b>64,873</b>	<b>172,124</b>

**Roads and Maritime Services**  
**Notes to the financial statements**

for the five month period ended 30 November 2019

**11. Property, plant and equipment (continued)**

**(b) Plant and equipment (continued)**

**Year ended 30 June 2019**

**Reconciliation**

		Plant equipment and motor vehicles	Computer hardware	Electronic office equipment	Leased Plant & Equipment	TOTAL
	Notes	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Net carrying amount at start of year		101,217	3,267	887	-	105,371
Additions		15,789	97	-	-	15,886
Assets recognised for the first time		550	-	-	-	550
Disposals		(1,311)	(42)	-	-	(1,353)
Transfer (to)/from non-current assets held for sale		(50)	-	-	-	(50)
Reclassification between PPE classes		2,101	-	-	-	2,101
Reclassifications (to)/from intangible assets		76	(11)	-	-	65
Depreciation expense		(11,458)	(1,311)	(123)	-	(12,892)
<b>Net carrying amount at end of year</b>		<b>106,914</b>	<b>2,000</b>	<b>764</b>	<b>-</b>	<b>109,678</b>



## Roads and Maritime Services

### Notes to the financial statements

for the five month period ended 30 November 2019

#### 11. Property, plant and equipment (continued)

##### (c) Infrastructure systems

Period ended 30 November 2019

##### 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 period		63,986,019	2,056,850	16,524,255	957,776	267,429	581,864	917,911	9,157,571	94,449,675
Additions		60,457	-	44,750	-	-	1,656	-	2,584,768	2,691,631
Net revaluation increments less revaluation decrements recognised in equity		1,676,947	(74,195)	434,305	25,202	-	-	(27,807)	-	2,034,452
Asset write-off		(69,311)	-	(9,099)	-	(114)	(3,145)	-	-	(81,669)
Reclassification between PPE classes		419,216	-	(44,208)	-	6,876	6,605	71	(388,560)	-
Reclassifications (to)/from intangible assets		-	-	-	-	-	-	-	(52)	(52)
Reclassifications (to)/from other assets		(19,036)	-	(31,462)	-	-	(525)	-	(176,435)	(227,458)
Depreciation expense	2(d)	(443,574)	-	(93,506)	(6,773)	(17,005)	(26,598)	(5,940)	-	(593,396)
Transfer to councils	2(e)	-	-	(1,550)	-	-	-	(112)	(17,513)	(19,175)
Transfer from other Transport agencies	25	-	-	-	-	-	-	-	15,221	15,221
Transfer from land and buildings	11(a)	-	14,239	-	-	-	-	-	-	14,239
<b>Net carrying amount at end of period</b>		<b>65,610,718</b>	<b>1,996,894</b>	<b>16,823,485</b>	<b>976,205</b>	<b>257,186</b>	<b>559,857</b>	<b>884,123</b>	<b>11,175,000</b>	<b>98,283,468</b>

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 12(b) for further details). At 30 November 2019, the net carrying amount of this leased infrastructure assets was \$976.2 million (June 2019: \$957.8 million).

Comprehensive and interim revaluations have been performed for infrastructure assets with further details provided below.

## Roads and Maritime Services

### Notes to the financial statements

for the five month period ended 30 November 2019

#### 11. Property, plant and equipment (continued)

##### (c) Infrastructure systems (continued)

Year ended 30 June 2019

Reconciliation - restated

	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		61,818,757	1,807,971	15,591,259	940,283	104,028	159,297	800,717	7,161,065	88,383,377
Restatement of infrastructure assets	32	(976,348)	-	-	-	-	-	-	-	(976,348)
Adjusted net carrying amount at beginning of year		60,842,409	1,807,971	15,591,259	940,283	104,028	159,297	800,717	7,161,065	87,407,029
Additions		-	-	-	-	-	-	-	5,012,712	5,012,712
Assets recognised for the first time		-	-	-	-	-	2,036	-	-	2,036
Net revaluation increments less revaluation decrements recognised in equity		2,178,627	224,444	625,786	33,327	85,564	310,303	27,000	-	3,485,051
Net revaluation increments less revaluation decrements recognised in net result	6	-	-	-	-	69,226	-	-	-	69,226
Asset write-off		(162,133)	-	(4,226)	-	(2,045)	(15,194)	(1,398)	(29,308)	(214,304)
Reclassification between PPE classes		2,208,651	-	477,131	-	61,063	163,725	94,110	(3,006,781)	(2,101)
Transfer from land and buildings	11(a)	-	24,027	-	-	-	-	6,158	-	30,185
Reclassifications (to)/from intangible assets		-	-	-	-	-	-	-	(278)	(278)
Reclassifications (to)/from other assets		13,154	-	61,366	-	-	-	-	(59,549)	14,971
Depreciation expense	2(d)	(1,118,594)	-	(219,287)	(15,834)	(50,407)	(38,303)	(15,010)	-	(1,457,435)
Transfer to councils	2(e)	(26,002)	(207)	(7,774)	-	-	-	-	-	(33,983)
Transfer from councils	2(e)	5,983	615	-	-	-	-	6,334	-	12,932
Transfer (to)/from other Transport agencies	25	43,924	-	-	-	-	-	-	79,710	123,634
<b>Net carrying amount at end of year</b>		<b>63,986,019</b>	<b>2,056,850</b>	<b>16,524,255</b>	<b>957,776</b>	<b>267,429</b>	<b>581,864</b>	<b>917,911</b>	<b>9,157,571</b>	<b>94,449,675</b>

## **11. Property, plant and equipment (continued)**

### **Recognition and Measurement**

#### ***Acquisition of property, plant and equipment***

Property, plant and equipment 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 and direct labour, as well as an appropriate proportion of variable and fixed overhead costs that can be reliably attributed to the assets.

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.

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

#### ***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. Items below these amounts are expensed in the period in which they are incurred.

#### ***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.

#### ***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.

#### ***Assets not able to be reliably measured***

RMS has minor cultural collection items such as prints, drawings and artefacts. These have no active market. Items considered immaterial have not been recognised in the statement of financial position.

#### ***Finance leases acquired by lessees (Under AASB 117 until 30 June 2019)***

Until 30 June 2019, AASB 117 Leases (AASB 117) distinguished between finance leases that 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 does not transfer substantially all the risks and rewards.

Property, plant and equipment at 30 June 2019 includes non-current assets acquired under finance leases only. The assets are recognised at fair value or, if lower, the present value of the minimum lease payments, at the inception of the lease. Property, plant and equipment does not include amounts in respect of operating leases.

## **11. Property, plant and equipment (continued)**

Property, plant and equipment acquired under finance leases are depreciated over the asset's useful life. However, if there is no reasonable certainty that the lessee entity will obtain ownership at the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

### ***Right-of-Use Assets acquired by lessees (under AASB 16 from 1 July 2019)***

From 1 July 2019, AASB 16 Leases (AASB 16) requires a lessee to recognise a right-of-use asset for most leases. The right-of-use asset and corresponding liability are initially measured at the present value of the future lease payments.

Therefore, at that date property, plant and equipment includes amounts for right-of-use assets in respect of leases previously treated as operating leases under AASB 117, as well as any arrangements that are assessed as leases under AASB 16 that were not leases under AASB 117.

Right-of use assets are generally depreciated over the shorter of the asset's useful life and the lease term. Where RMS obtains ownership of the underlying leased asset or if the cost of the right-of-use asset reflects that RMS will exercise a purchase option, RMS depreciates the right-of-use asset over its useful life.

Further information on leases is contained at Note 12.

Subsequent to the adoption of AASB 16, RMS, as a lessee, recognises a right-of-use asset at cost and a corresponding lease liability at the lease commencement date. Right-of-Use assets that do not meet the definition of investment properties are included in Property, Plant and Equipment under the corresponding asset categories. Further information on right-of-use assets is contained in Note 11.

### ***Privately Financed Project assets accounted for as leased assets under TPP06-08***

RMS has adopted the option to not apply AASB 16 to assets that would be classified as service concession assets in accordance with AASB 1059 Service Concession Arrangements: Grantors. RMS continues to apply its existing accounting policy to these assets until AASB 1059 is applied.

### ***Valuation and depreciation***

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

## **11. Property, plant and equipment (continued)**

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.

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.

Comprehensive revaluations by external valuers are undertaken on a three year cycle for property assets, and on a five year cycle for infrastructure assets. Desktop valuations are performed in the years in between to ensure that the carrying amounts do not differ materially from fair value at reporting date.

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. RMS has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

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.

The net present value of the remaining lease payments is often an appropriate proxy for the fair value of relevant right-of-use assets at the time of initial recognition, except for the leases that have significantly below-market terms and conditions. Therefore, RMS only conducts a comprehensive revaluation:

- at least every three years for property leases with terms greater than five years, where the right-of-use asset tenure is closely aligned to the asset's useful life
- at least five years for non-property asset leases with terms greater than five years and where the right-of-use asset tenure is closely aligned to the asset's useful life.

For those right-of-use assets under leases that have significantly below-market terms and conditions principally to enable RMS to further its objectives, RMS has elected to measure the asset at cost. Where the lease was previously treated as a finance lease under AASB 117 in previous financial years, their carrying value as at 30 June 2019 is taken as their deemed cost upon transition to AASB 16 on 1 July 2019. These right-of-use assets are not subject to revaluation

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.

## 11. Property, plant and equipment (continued)

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.

When revaluing non-current assets using the cost approach, the gross amount and the related accumulated depreciation are separately restated. Where the income approach or market approach is used, accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

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.

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

### 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.
Leased plant and equipment	As the net present value of the remaining lease payments is considered an appropriate proxy for the fair value of the right-of-use asset at initial recognition, leased plant and equipment are recognised as the present value of minimum lease payments.	Depreciated on the straight-line basis over the length of the lease between 1 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 RMS.

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 RMS 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.

## Roads and Maritime Services

### Notes to the financial statements

for the five month period ended 30 November 2019

#### 11. Property, plant and equipment (continued)

##### Land and buildings

Asset	Measurement/Valuation policy	Depreciation policy
Land and Administrative buildings	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 subject to comprehensive revaluation every three years by registered valuers. Desktop valuations will be carried out in the two years in between 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. Desktop valuations will be carried out in the two years in between the comprehensive revaluation 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 each Local Government Area (LGA) adjusted by an “open spaces ratio” (OSR).	No depreciation is charged as buildings are not purchased to generate revenue but ultimately to be demolished for roadworks.
Leasehold improvements	Depreciated historical cost.	Amortised over the period of the lease, or the useful life of the leasehold improvement, whichever is shorter.
Leased land and buildings	As the net present value of the remaining lease payments is considered an appropriate proxy for the fair value of the right-of-use asset at initial recognition, leased land and buildings are recognised as the present value of minimum lease payments.  Leased land and buildings with terms greater than five years are subject to revaluation. There have been no comprehensive revaluations performed since the application of AASB 16 Leases on 1 July 2019.	Depreciated on the straight-line basis over the length of the lease between 1 and 31 years.

## 11. Property, plant and equipment (continued)

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 restriction in use.

Included in the value of land and buildings in service is an amount of \$28.5 million (June 2019: \$27.2 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. Land and Buildings will be revalued at market value over a three year cycle and desktop valuations performed in the two years in between to ensure that carrying amounts do not differ materially from fair value at reporting date. In 2018-19, ULR, Rental, Surplus and Administration Properties were subject to a comprehensive revaluation by registered valuers.

### Infrastructure systems

Asset	Measurement/Valuation policy	Depreciation policy
<b>Roads</b>	Depreciated replacement cost	Depreciated over estimated useful life using straight-line method.
Earthworks – Not Depreciated		- Indefinite
Earthworks – Depreciated		- 50 years
Pavement Wearing Surface – Asphalt		- 18 - 25 years
Pavement Wearing Surface – Spray Sealed		- 7 - 12 years
Pavement Wearing Surface – Concrete		- 18 - 25 years
Pavement Base and Sub-Base		- 81 - 108 years
Culverts & Drainage		- 50 - 100 years
Safety Barriers		- 40 - 80 years
Fences		- 40 years
Retaining Walls and Gabions		- 60 - 100 years
Noise Walls		- 100 years
Medians		- 50 years
Rest Areas		- 10 - 20 years
Other Assets (Footway, Vegetation, Landscaping, Kerbs and Gutters, Guide Posts, Pavement Markings, Signposting)		- 20 - 50 years
<b>Bridges</b>	Depreciated replacement cost	Depreciated over estimated useful life dependant on bridge type using straight-line method:
Timber structure and timber truss		- 60-100 years
Concrete structures		- 100 years
Steel structures		- 100 years
Heritage bridges		- 100 years
Bridge size culverts/tunnels		- 100 years



# Roads and Maritime Services

## Notes to the financial statements

for the five month period ended 30 November 2019

### 11. Property, plant and equipment (continued)

Asset	Measurement/Valuation policy	Depreciation policy
<b>Traffic signals</b>	Depreciated replacement cost	Depreciated over estimated useful life of using straight line method.
Lanterns		- 15 years
Posts		- 30 years
Loops		- 10 years
Controller		- 15 years
Civils		- 30 years
<b>Traffic Control Network</b>	Depreciated replacement cost	Depreciated over estimated useful life dependant on asset type using straight-line method
Enforcement Systems		- 10 - 40 years
Traffic Monitoring Units		- 15 years
Weather Stations		- 15 - 40 years
Variable Speed Signs		- 15 - 40 years
Variable Message Signs		- 15 - 40 years
Tidal Flow Systems		- 20 years
Over-Speed Detection Systems		- 15 - 40 years
Over-Height Detection Systems		- 15 years
Vehicle Detection Classification System		- 15 - 40 years
Emergency Warning Systems		- 15 years
Advanced Warning Systems		- 15 - 40 years
Changeable Message Signs		- 15 - 40 years
Weigh-In-Motion Systems		- 15 - 30 years
Street Lights		- 15 - 30 years
Emergency Phones		- 15 - 40 years
School Zone Warning System		- 5 - 30 years
Traffic Management Centre		
<b>Land under roads and within road reserves</b>	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.
<b>Sydney Harbour Tunnel</b>	Depreciated replacement cost	Depreciated over estimate useful life depending on asset type:
Immersed tube		- 100 years
Mechanical and electrical		- 35 years
Pavement		- 35 years
Earthworks		- Indefinite life

## Roads and Maritime Services

### Notes to the financial statements

for the five month period ended 30 November 2019

#### 11. Property, plant and equipment (continued)

Asset	Measurement/Valuation policy	Depreciation policy
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 8 and 50 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.

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, with a quality review performed by engineering contractors and employees of RMS.

The Roads and Bridge 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) (June 2019: Australian Bureau of Statistics' Roads and Bridge Cost Index (RBCI)) is applied each year until the following unit replacement rate review is undertaken.

Subsequent to the review, infrastructure is valued using the unit replacement rates, adjusted by the applicable RBCI (June 2019: RBCI).

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).

A comprehensive valuation of the traffic signal and traffic control network assets was carried out by an independent valuer on 31 March 2019 using the depreciated replacement cost (DRC) approach.

A comprehensive revaluation for road and bridge infrastructure assets was performed by an independent valuer in 2018.

The methods and significant assumptions applied in estimating these asset class fair values include:

## Roads and Maritime Services

### Notes to the financial statements

for the five month period ended 30 November 2019

---

## 11. Property, plant and equipment (continued)

### Valuation methodologies

#### Traffic Signal and Traffic Control Network

The approach involved the following steps:

- Obtaining asset inventory data for asset types from various sources of databases.
- Applying unit rates for technical and structural components where possible to determine the estimated replacement cost for each asset type.
- Estimating normal useful lives and remaining useful lives. Remaining life extensions have been applied to all assets which are past their normal useful life but still in use.
- Applying depreciation (straight line) based on age/life analysis to estimate fair value.

#### Roads

*Primary Approach* – applied to pavements (wearing surface and base/sub-base), culverts, earthworks, safety barriers and fencing, noise walls, retaining walls, medians and rest areas. This approach involved the following steps:

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

*Secondary Approach* – applied to “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 by ‘Region’, ‘Road rank’, and ‘Terrain’
- RMS’s PMO unit rates were only available by region and 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 component ages have been based on the newer of the road construction or rehabilitation dates
- The effective age and remaining useful lives of base/sub-base assets to determine their fair value are estimated based on the asset condition data derived by the RMS pavement engineers.
- Wearing surface asset ages have been based on the newer of construction, resurfacing or rehabilitation dates
- Remaining life extensions of 2 years have been applied to wearing surface components past their useful lives. These assumptions are based on RMS’s projected pavement rebuilding/resurfacing estimates.
- Sub-categories for Pavements have been identified by ‘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 and Drainage that were past their useful life
- Stereotypes for Culverts have been identified as ‘Culvert type’, ‘Region’, and ‘Pipe diameter / box width’
- Culverts with high risk rating (ARL 1 and 2) have been depreciated on a straight line basis over an effective remaining useful life of 10 years in accordance with RMS’ current Corridor Asset Management Plan
- 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. Unit rates (per m) were based on 100mm perforated plastic piping.
- Major culverts over 6 metres are classified as bridges and included in the Bridge Asset Class.

## **11. Property, plant and equipment (continued)**

### *Safety Barrier and Fence assumptions*

- Sub-categories have been identified by 'Barrier type', 'Start and end terminal type' and 'Region'
- Age calculations for depreciation were determined using the barrier construction date, if available, or the road segment construction date as a proxy.
- A remaining life extension of 5 years has been applied to all safety barriers and fences that were past their useful life.

### *Retaining Walls, Rest Areas and Medians assumptions*

- The ages of the assets were calculated based on the segment construction date
- A remaining life extension of 5 years has been applied to the assets that were past their useful life.

### *Noise Walls assumptions*

- Age calculations for depreciation were determined using the noise wall construction date, if available, or the road segment construction date as a proxy
- A remaining life extension of 5 years has been applied to all noise walls that were past their useful life.

## **Bridges and Tunnels**

The approach involved the following steps:

- Obtaining bridge asset inventory data from the Bridge Information System (BIS).
- Applying unit rates to the inventory listing based on the modern equivalent capitalisation type.
- Estimating replacement cost based on the bridge deck area.
- Estimating normal useful lives and remaining useful lives based on element condition data.
- Applying depreciation (straight line) based on age/life analysis to estimate fair value. The element condition data collected by RMS bridge maintenance planners was used to assess the effective age and effective remaining lives of the bridge assets

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.

## **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)).

## **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. Since 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.

## Roads and Maritime Services

### Notes to the financial statements

for the five month period ended 30 November 2019

#### 12. Leases

##### (a) Entity as Lessee

RMS leases various properties, land, equipment and motor vehicles. Lease contracts are typically made for fixed periods of 1 to 30 years, but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. RMS does not provide residual value guarantees in relation to leases.

Extension and termination options are included in a number of property and equipment leases. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by RMS and not by the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows of \$43.2 million have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was an increase in recognised lease liabilities and right-of-use assets of nil.

RMS has elected to recognise payments for short-term leases and low value leases as expenses on a straight-line basis, instead of recognising a right-of-use asset and lease liability. Short-term leases are leases with a lease term of 12 months or less. Low value assets are assets with a fair value of \$10,000 or less when new and comprise mainly of some property leases and information technology leases.

##### Right-of-use assets under leases

The following table presents right-of use assets that are included in the carrying amounts of property, plant and equipment at Note 11.

	Land and Buildings \$'000	Plant and Equipment \$'000	Total \$'000
Balance at 30 June 2019	-	-	-
Transition Impact	139,907	57,460	197,367
<b>Balance at 1 July 2019</b>	<b>139,907</b>	<b>57,460</b>	<b>197,367</b>
Additions	1,790	15,034	16,824
Depreciation expense	(12,377)	(7,600)	(19,977)
Disposals	(10)	(21)	(31)
<b>Balance at 30 November 2019</b>	<b>129,310</b>	<b>64,873</b>	<b>194,183</b>

Note the above balance does not include the Sydney Harbour Tunnel finance lease. This is due to AASB 16 paragraph Aus3.1, which excludes the application of AASB 16 Leases on service concession assets that will be recognised under AASB 1059 Service Concession Arrangements: Grantors.

## 12. Leases (continued)

### Lease liabilities

The following table presents liabilities under leases.

	<b>Lease liabilities</b>
	<b>\$'000</b>
Balance at 1 July 2019	195,876
Additions	16,648
Interest expenses	1,030
Payments	(19,858)
Early retirement of leases	(10)
<b>Balance at 30 November 2019*</b>	<b>193,685</b>

\*Note the balance at 30 November 2019 will not agree to total leases per Note 18 Borrowings. This is due to AASB 16 paragraph Aus3.1, which excludes the application of AASB 16 *Leases* on service concession assets that will be recognised under AASB 1059 *Service Concession Arrangements: Grantors*.

The following amounts were recognised in the statement of comprehensive income for the period ending 30 November 2019 in respect of leases where RMS is the lessee:

	<b>\$'000</b>
Depreciation expense of right-of-use assets	19,977
Interest expense on lease liabilities	1,030
Expense relating to short-term leases	818
Expense relating to leases of low-value assets	165
<b>Total amount recognised in the statement of comprehensive income</b>	<b>21,990</b>

### Comparative information under AASB 117 Leases

#### As at 30 June 2019

Future minimum lease payments under non-cancellable leases as at 30 June 2019 are, as follows:

	<b>Operating lease</b>
	<b>\$'000</b>
Within one year	58,578
Later than one year and not later than five years	115,509
Later than five years	18,402
<b>Total (including GST)</b>	<b>192,489</b>
Less: GST recoverable from the Australian Tax Office	(17,499)
<b>Total (excluding GST)</b>	<b>174,990</b>

The reconciliation between the total future minimum lease payments for the Sydney Harbour Tunnel finance lease and its present value as at 30 June 2019 are, as follows:

	<b>2019</b>
	<b>\$'000</b>
Within one year	84,545
Later than one year and not later than five years	193,069
Later than five years	-
<b>Total minimum finance lease payments</b>	<b>277,614</b>
Less: future finance charges	(33,039)
<b>Present value of minimum lease payments</b>	<b>244,575</b>

## **12. Leases (continued)**

### **Recognition and measurement (under AASB 16 from 1 July 2019)**

RMS assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

RMS recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets, except for short-term leases and leases of low-value assets.

#### ***i. Right-of-use assets***

RMS recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are initially measured at the amount of initial measurement of the lease liability (refer ii below), adjusted by any lease payments made at or before the commencement date and lease incentives, any initial direct costs incurred, and estimated costs of dismantling and removing the asset or restoring the site.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Land and buildings 1 to 31 years
- Plant and equipment 1 to 10 years

If ownership of the leased asset transfers to RMS at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to revaluation and impairment. Refer to the accounting policies in property, plant and equipment in Note 11.

#### ***ii. Lease liabilities***

At the commencement date of the lease, RMS recognises lease liabilities measured at the present value of lease payments to be made over the lease term. Lease payments include:

- fixed payments (including in substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- exercise price of a purchase options reasonably certain to be exercised by RMS; and
- payments of penalties for terminating the lease, if the lease term reflects RMS exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for RMS' leases, the lessee's incremental borrowing rate is used, being the rate that RMS would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

RMS' lease liabilities are included in borrowings

## 12. Leases (continued)

### iii. Short-term leases and leases of low-value assets

RMS applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

### Recognition and measurement (under AASB 117 until 30 June 2019)

Until 30 June 2019, a lease was classified at the inception date as a finance lease or an operating lease. A lease that transferred substantially all the risks and rewards incidental to ownership to RMS was classified as a finance lease.

Finance lease liabilities were recognised in accordance with AASB117 Leases. Minimum lease payments made under finance leases were apportioned between the interest expense and the reduction of the outstanding liability. The finance expense was 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.

An operating lease is a lease other than a finance lease. Operating lease payments were recognised as an operating expense in the statement of comprehensive income on a straight-line basis over the lease term.

### (b) Entity as Lessor

RMS holds properties that are leased to tenants under operating leases with rental payable monthly. Lease payments for some contracts include CPI increases, but there are no other variable lease payments that depend on an index or rate.

Although RMS is exposed to changes in the residual value at the end of current leases, RMS typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties

### Lessor for operating leases

Future minimum rentals receivable (undiscounted) under non-cancellable operating lease are as follows:

	November 2019 \$'000	June 2019 \$'000
Within one year	50,988	49,434
Later than one year and not later than five years	180,062	159,518
Later than five years	509,218	312,223
<b>Total (including GST)</b>	<b>740,268</b>	<b>521,175</b>

The total commitments detailed above include GST amount of \$67.3 million (June 2019: \$47.4 million) that are expected to be payable to the Australian Taxation Office (ATO).

### Recognition and measurement - lessor for operating leases

An operating lease is a lease other than a finance lease. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of comprehensive income due to its operating nature.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the underlying asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.



## Roads and Maritime Services

### Notes to the financial statements

for the five month period ended 30 November 2019

## 12. Leases (continued)

### (c) Lessee - Sydney Harbour Tunnel – finance lease liability

	Notes	November 2019 \$'000	June 2019 \$'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	30(h)	85,719	84,545
Later than one year and not later than five years	30(h)	156,954	193,069
<b>Minimum lease payments</b>	30(h)	<b>242,673</b>	<b>277,614</b>
Less: future finance charges		(25,566)	(33,038)
<b>Present value of minimum lease payments</b>		<b>217,107</b>	<b>244,576</b>
The present value of finance lease commitments is as follows:			
Within one year		71,395	68,059
Later than one year and not later than five years		145,712	176,516
<b>Present value of finance lease commitments</b>		<b>217,107</b>	<b>244,575</b>
Classified as:			
Current	18(i)	71,395	68,059
Non-current	18(ii)	145,712	176,516
<b>Total</b>		<b>217,107</b>	<b>244,575</b>

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 the former AASB 117 *Leases*. This arrangement is not accounted for under AASB 16 *Leases* due to AASB 16 paragraph Aus3.1, as it is a service concession asset that will be recognised under AASB 1059 *Service Concession Arrangements: Grantors*.

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 \$0.4 million for the year ending 30 November 2019 (June 2019: \$0.8 million).

## Roads and Maritime Services

### Notes to the financial statements

for the five month period ended 30 November 2019

#### 13. Non-current assets - intangibles assets and other

##### (a) Private sector provided infrastructure

	Notes	November 2019 \$'000	June 2019 \$'000
<b>M2 Motorway/M2 Widening</b>			
Carrying amount at start of year		312,724	275,426
Annual increment - emerging right to receive	3(f)	16,378	37,298
<b>Carrying amount at end of year</b>		<b>329,102</b>	<b>312,724</b>
<b>M4 Motorway/M4 Widening</b>			
Carrying amount at start of year		13,350	7,060
Annual increment - emerging right to receive	3(f)	2,875	6,290
<b>Carrying amount at end of year</b>		<b>16,225</b>	<b>13,350</b>
<b>M4 Motorway/New M4</b>			
Carrying amount at start of year		-	-
Annual increment - emerging right to receive	3(f)	63,388	-
<b>Carrying amount at end of year</b>		<b>63,388</b>	<b>-</b>
<b>M5 South-West Motorway</b>			
Carrying amount at start of year		448,186	398,400
Annual increment - emerging right to receive	3(f)	23,491	49,786
<b>Carrying amount at end of year</b>		<b>471,677</b>	<b>448,186</b>
<b>Eastern Distributor</b>			
Carrying amount at start of year		213,007	189,277
Annual increment - emerging right to receive	3(f)	10,536	23,730
<b>Carrying amount at end of year</b>		<b>223,543</b>	<b>213,007</b>
<b>Cross City Tunnel</b>			
Carrying amount at start of year		311,791	279,269
Annual increment - emerging right to receive	3(f)	14,293	32,522
<b>Carrying amount at end of year</b>		<b>326,084</b>	<b>311,791</b>
<b>Westlink M7 Motorway</b>			
Carrying amount at start of year		646,007	575,560
Annual increment - emerging right to receive	3(f)	31,000	70,447
<b>Carrying amount at end of year</b>		<b>677,007</b>	<b>646,007</b>
<b>Lane Cove Tunnel</b>			
Carrying amount at start of year		393,588	350,425
Annual increment - emerging right to receive	3(f)	19,069	43,163
<b>Carrying amount at end of year</b>		<b>412,657</b>	<b>393,588</b>
<b>Total carrying amount at the end of period</b>		<b>2,519,683</b>	<b>2,338,653</b>
<b>Total</b>			
Carrying amount at start of year		2,338,653	2,075,417
Annual increment - emerging right to receive		181,030	263,236
<b>Carrying amount at end of year</b>		<b>2,519,683</b>	<b>2,338,653</b>

##### Recognition and Measurement

In respect of certain private sector provided infrastructure assets: M2 Motorway, M4 Service Centre, M5 South-West Motorway, the Eastern Distributor, the Cross City Tunnel, the Westlink M7 Motorway, the Lane Cove Tunnel and the M4 Widening of the WestConnex Stage 1A, 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 (refer Note 3(f)).

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.

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

#### **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 initial Project Deed, ownership of the M2 Motorway will revert to RMS 45 years from the M2 commencement date of 26 May 1997. The M2 Motorway was upgraded in 2013, at an initial construction cost of \$550 million. This further extended the service concession period by a further four years.

An agreement was reached on 31 January 2015 for integration works on the M2 Motorway to connect it with the new NorthConnex Motorway. These works were completed in May 2018 and extended the concession term by a further two years to 30 June 2048, resulting in the term of agreement to 51 years. Under the revised concession terms, the agreement now ends on the 51st anniversary of the M2 commencement date or sooner if a certain rate of return is achieved, subject to the provisions of the M2 Motorway Project Deed.

RMS leased land, detailed in the M2 Motorway Project Deed, for the term of the Agreement. Until the project achieves the required rate of return, rent is payable in cash or by promissory note at the Lessee's discretion. 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.

No payments have been made for rents on the leases for the year ended 30 November 2019 (June 2019: No payments made). RMS, as at 30 November 2019, has received promissory notes for rent on the above leases totalling \$216.3 million (June 2019: \$216.3 million). The value of these promissory notes as at 30 November 2019 is \$38.8 million (June 2019: \$36.4 million) (Refer to Note 10).

The total carrying value of the M2 Motorway emerging asset, including the M2 Upgrade, is \$329.1 million as at 30 November 2019 (June 2019: \$312.7 million).

#### **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. The initial period was subsequently extended to 22 August 2023, in consideration of the concession holder undertaking construction of an additional interchange at Moorebank (M5 Improvements).

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 project deed was amended in 2018 to include east facing ramps on the M5 motorway intersecting Belmore Road as part of the service concession. These ramps were constructed by RMS but will be operated and maintained by the concession holder. The ramps were opened to traffic in February 2019.

The total carrying value of the M5 South-West Motorway emerging asset, including the M5 widening and Belmore Road ramps is \$471.7 million as at 30 November 2019 (June 2019: \$448.2 million).

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

#### **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 \$345 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 November 2019, the promissory notes have a value of \$23.8 million (June 2019: \$22.8 million) (refer Note 10).

Under the terms of the Project Deed, the Term of the Eastern Distributor is 48 years from the Eastern Distributor Commencement Date on 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 emerging asset is \$223.5 million as at 30 November 2019 (June 2019: \$213.0 million)

#### **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.

The total carrying value of the Cross City Tunnel emerging asset is \$326.1 million as at 30 November 2019 (June 2019: \$311.8 million).

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

#### **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.

The total carrying value of the Westlink M7 Motorway emerging asset is \$677.0 million as at 30 November 2019 (June 2019: \$646.0 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 20). The concession receivable was subsequently monetised in October 2015 in which RMS received \$174.2 million proceeds.

#### **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.

The total carrying value of the Lane Cove Tunnel emerging asset is \$412.7 million as at 30 November 2019 (2018: \$393.6 million).

In consideration for the extension of the concession term, RMS received a further \$200 million in concession fees over a period from 31 December 2017 to 30 June 2019 (refer to Note 20). As at 30 June 2019, RMS had received the full \$200 million in concession fees.

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

#### **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 \$996.7 million in cash towards the construction, construction management and property acquisition costs, and the balance will be financed by the concession holder.

On completion of construction, which is expected to be in 2020, 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 3(f)). As at 30 November 2019, RMS has not recognised an emerging asset.

#### **WestConnex**

The WestConnex project comprises three stages including M4 Widening and M4 East Tunnel (New M4), construction of the new M5 Tunnel (including St Peters Interchange works and King Georges Road Intersection Upgrade works), and the M4-M5 link and Rozelle Interchange works.

##### **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 (Stage 1A), and the construction of surface works and new tunnels for M4 East (Stage 1B).

Stage 1A was opened to traffic on 4 July 2017 and Stage 1B was opened to traffic on 13 July 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.

The total carrying value of the M4 Widening (Stage 1A) emerging asset is \$16.2 million as at 30 November 2019 (June 2019: \$13.4 million) and the total carrying value of the New M4 (Stage 1B) emerging asset is \$63.4 million as at 30 November 2019.

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

#### **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 January 2020 (unless the toll road is opened prior), and M5 West Lease from December 2026 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. Completion of Stage 2 construction is expected to be in 2020.

#### **New M4 and New M5 (Stage 1B 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 3(f)). As at 30 November 2019, RMS has not recognised an emerging asset.

#### **M4-M5 Link (Stage 3)**

The Stage 3 Project Deed was signed with the concession holder on 12 June 2018 to:

- design, construct, operate and maintain the M4-M5 Link Tunnels; and
- operate and maintain the Rozelle Interchange.

On 14 December 2018, RMS entered into the Rozelle Interchange and Western Harbour Tunnel Enabling Works D&C Deed with the CPB Contractors and John Holland JV. The Rozelle Interchange will be transferred the concession holder.

RMS will grant the Trustees the 'M4-M5 Link Leases' being:

- the 'Main Tunnel Lease' on the date of Opening Completion
- the 'Rozelle Interchange Lease' on the date the Rozelle Interchange is transferred to the concession holder.

The Project Deed stipulates that the concession holder will operate the M4-M5 Link until 31 December 2060, after which the motorway will be transferred 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.

## for the five month period ended 30 November 2019

**(b) Other intangible assets**

	Notes	November 2019 \$'000	June 2019 \$'000
<b>Balance at end of period/year</b>			
<b>Information technology system:</b>			
Cost		384,191	360,120
Accumulated amortisation and impairment		(226,255)	(211,547)
<b>Net carrying amount at end of period/year</b>		<b>157,936</b>	<b>148,573</b>
<b>Biodiversity credits:</b>			
Cost		79,094	79,541
Accumulated amortisation and impairment		-	-
<b>Net carrying amount at end of period/year</b>		<b>79,094</b>	<b>79,541</b>
<b>Information technology system:</b>			
Net carrying amount at start of period/year		148,573	153,796
Additions		20,460	31,533
Disposals		-	(223)
Transfer (to)/from PPE	11	3,612	213
Amortisation expense	2(d)	(14,709)	(36,746)
<b>Net carrying amount at end of year</b>		<b>157,936</b>	<b>148,573</b>
<b>Biodiversity credits:</b>			
Net carrying amount at start of period/year		79,541	-
Additions		-	79,541
Retirements	19	(447)	-
<b>Net carrying amount at end of year</b>		<b>79,094</b>	<b>79,541</b>
<b>Total net carrying amount at end of period/year</b>		<b>237,030</b>	<b>228,114</b>



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

#### Recognition and Measurement

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 asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition. Following initial recognition, intangible assets are subsequently measured at fair value only if there is an active market. If there is no active market for RMS' intangible assets, the assets are carried at cost less any accumulated amortisation and impairment losses.

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

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. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and impairment losses.

Asset	Valuation policy	Amortisation policy
Information technology system	Depreciated historical cost	Amortised using the straight-line method over the estimated useful life of between 2 and 10 years.
Biodiversity credits	Cost less accumulated impairment losses	Indefinite useful life and not amortised. Carrying amount is tested yearly for impairment.

### 14. Non-current assets held for sale

	November 2019 \$'000	June 2019 \$'000
Land and buildings	18,432	253
Plant and equipment	112	50
<b>Non-current assets held for sale</b>	<b>18,544</b>	<b>303</b>

#### Recognition and Measurement

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 measured 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.

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. Plant and equipment held for sale mainly consists of fleet assets that are no longer required for business purposes.

The gain or loss recognised on sale is: land and buildings \$0.2 million gain (June 2019: \$0.4 million loss), plant and equipment \$0.0 million gain (June 2019: \$0.2 million gain). The written down value of assets held for sale derecognised: land and buildings \$2.07 million (June 2019: \$37.2 million), plant and equipment \$0.05 million (June 2019: \$0.2 million)

## Roads and Maritime Services

### Notes to the financial statements

for the five month period ended 30 November 2019

#### 15. Fair value measurement of non-financial assets

##### (a) Fair value measurement and hierarchy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability.

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, RMS categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

- Level 1 - quoted prices in active markets for identical assets / liabilities that RMS 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).

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

	Level 1	Level 2	Level 3	Total fair value
	2020	2020	2020	2020
	\$000	\$000	\$000	\$000
<b>Property, plant and equipment</b>				
Land and buildings	-	3,461,302	-	3,461,302
Plant and equipment	-	-	-	-
Infrastructure systems*	-	-	87,108,468	87,108,468
<b>Non-current assets held for sale</b>	-	18,544	-	18,544
	-	<b>3,479,846</b>	<b>87,108,468</b>	<b>90,588,314</b>

	Level 1	Level 2	Level 3 restated	Total fair value
	2019	2019	2019	2019
	\$000	\$000	\$000	\$000
<b>Property, plant and equipment</b>				
Land and buildings	-	3,500,732	-	3,500,732
Plant and equipment	-	-	-	-
Infrastructure systems*	-	-	85,292,104	85,292,104
<b>Non-current assets held for sale</b>	-	303	-	303
	-	<b>3,501,035</b>	<b>85,292,104</b>	<b>88,793,139</b>

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

## Roads and Maritime Services

### Notes to the financial statements

for the five month period ended 30 November 2019

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

##### (b) Valuation techniques, inputs and processes

Valuation Technique	Valuation input
<b>Roads</b>	
<p>Depreciated replacement cost of significant road asset components:</p> <ul style="list-style-type: none"> <li>Pavements <ul style="list-style-type: none"> <li>Asphalt</li> <li>Concrete</li> <li>Spray</li> </ul> </li> <li>Culverts</li> <li>Drainage <ul style="list-style-type: none"> <li>Longitudinal</li> <li>Subsoil</li> </ul> </li> <li>Safety Barriers</li> <li>Fences</li> <li>Retaining Walls</li> <li>Medians</li> <li>Rest Areas</li> <li>Noise Walls</li> <li>Other</li> </ul> <p>Assets are depreciated over estimated useful life depending on road component type (Note 11).</p> <p>Fair value is re-valued in interim periods between comprehensive revaluations by movements in the RBCI.</p> <p>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 a quality review performed by employees of RMS.</p>	<p>Replacement cost per unit of road asset component.</p> <p>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.</p> <p>RBCI is applied to the replacement cost of the components, to ensure that carrying amounts are at fair value.</p> <p>Components are depreciated over their estimated useful life depending on road component type or remaining useful life depending on road assets' condition as depicted by the pavement health index (PHI) or culvert risk ratings</p>
<b>Land under roads</b>	
<p>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).</p> <p>The urban Average Rateable Value by LGA is derived from data provided by the Valuer-General.</p>	<p>Local Government Area rateable land values provided by the NSW Valuer-General.</p> <p>Measurements of land area in situ under roads.</p>
<b>Bridges</b>	
<p>Depreciated replacement cost for the following bridge types:</p> <ul style="list-style-type: none"> <li>Timber Structures</li> <li>Concrete structures</li> <li>Steel structures</li> <li>Bridge Trusses (timber and steel)</li> <li>Heritage Bridges</li> <li>Bridge size culverts/tunnels</li> </ul> <p>Bridge assets are depreciated over estimated useful depending on bridge type (Note 11).</p> <p>Cost/m<sup>2</sup> rates per bridge type are derived from current estimated bridge construction costs. Bridge asset fair value is</p>	<p>Replacement cost per unit of bridge assets.</p> <p>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.</p> <p>RBCI is applied to the replacement cost of the assets, to ensure that carrying amounts are at fair value.</p> <p>Assets are depreciated over their remaining useful life depending on bridges' condition as depicted by the</p>

## Roads and Maritime Services

### Notes to the financial statements

for the five month period ended 30 November 2019

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

Valuation Technique	Valuation input
<p>determined by applying the replacement rate by type to bridge area.</p> <p>Fair value is re-valued in interim periods between comprehensive revaluations by movements in the RBCI.</p> <p>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.</p>	<p>element condition data or estimated useful life depending on the bridge's capitalisation type.</p>
<b><i>Sydney Harbour Tunnel</i></b>	
<p>Depreciated replacement cost of major asset components:</p> <ul style="list-style-type: none"> <li>Immersed Tube</li> <li>Mechanical and Electrical</li> <li>Pavement</li> <li>Earthworks</li> </ul> <p>Assets are depreciated over estimated useful life depending on component type (Note 11).</p>	<p>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.</p> <p>Thereafter, the SHT has been revalued annually by the RBCI. The RBCI is applied to the replacement cost of the components, to ensure that carrying amounts are at fair value.</p> <p>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.</p> <p>Depreciation was applied over estimates of useful lives of those component types.</p> <p>There has been no material change to either the initial estimates or the valuation process.</p>
<b><i>Traffic Signals Network</i></b>	
<p>Depreciated replacement cost major asset components:</p> <ul style="list-style-type: none"> <li>Lanterns</li> <li>Posts</li> <li>Loops</li> <li>Controller</li> <li>Civils</li> </ul> <p>Assets are depreciated over estimated useful life (Note 11).</p> <p>The determination of traffic signal unit replacement rates for valuations is carried out at least every 5 years by externally engaged qualified engineering contractors with a quality review performed by employees of RMS.</p>	<p>Current unit replacement costs.</p>

## Roads and Maritime Services

### Notes to the financial statements

for the five month period ended 30 November 2019

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

Valuation Technique	Valuation input
<b>Traffic Control Network</b>	
<p>Depreciated replacement cost of major asset components:</p> <ul style="list-style-type: none"> <li>Enforcement Systems</li> <li>Traffic Monitoring Units</li> <li>Weather Stations</li> <li>Variable Speed Signs</li> <li>Variable Message Signs</li> <li>Tidal Flow Systems</li> <li>Over-Speed Detection Systems</li> <li>Over-Height Detection Systems</li> <li>Vehicle Detection Classification System</li> <li>Emergency Warning Systems</li> <li>Advanced Warning Systems</li> <li>Changeable Message Signs</li> <li>Weigh-In-Motion Systems</li> <li>Street Lights</li> <li>Emergency Phones</li> <li>School Zone Warning System</li> <li>Traffic Management Centre</li> </ul> <p>Assets are depreciated over estimated useful life depending on component type (Note 11).</p> <p>Fair value is re-valued in interim periods between comprehensive revaluations by movements in the RBCI.</p> <p>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 with a quality review performed by employees of RMS.</p>	<p>Current unit replacement costs.</p>
<b>Maritime Assets</b>	
<p>Depreciated replacement cost for Wharves and jetties, Dredging assets, Seawall, and Maritime roads</p> <p>Assets are depreciated over estimated useful life depending on asset type (Note 11).</p> <p>Fair value is reassessed in interim periods between comprehensive revaluations by obtaining letter of assurances from the external valuers.</p> <p>The determination of asset replacement rates for valuations is carried out at least every 5 years by externally engaged professionals with a quality review performed by employees of RMS.</p> <p>Income Approach for:</p> <ul style="list-style-type: none"> <li>Moorings and wetlands</li> </ul> <p>Estimates of total revenue earned on long term mooring and wetland leases are capitalised at net present value.</p>	<p>Current unit replacement costs.</p> <p>Estimated total lease revenue.</p>

## Roads and Maritime Services

### Notes to the financial statements

for the five month period ended 30 November 2019

#### 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
<b>November 2019</b>								
Net carrying amount at start of period	63,986,019	2,056,850	16,524,255	957,776	267,429	581,864	917,911	85,292,104
Additions	60,457	-	44,750	-	-	1,656	-	106,863
Net revaluation increments less revaluation decrements recognised in equity	1,676,947	(74,195)	434,305	25,202	-	-	(27,807)	2,034,452
Asset write-off	(69,311)	-	(9,099)	-	(114)	(3,145)	-	(81,669)
Reclassification between PPE classes	419,216	-	(44,208)	-	6,876	6,605	71	388,560
Transfer from Level 2	-	14,239	-	-	-	-	-	14,239
Reclassifications (to)/from other assets	(19,036)	-	(31,462)	-	-	(525)	-	(51,023)
Depreciation expense	(443,574)	-	(93,506)	(6,773)	(17,005)	(26,598)	(5,940)	(593,396)
Transfer to councils	-	-	(1,550)	-	-	-	(112)	(1,662)
<b>Net carrying amount at end of period</b>	<b>65,610,718</b>	<b>1,996,894</b>	<b>16,823,485</b>	<b>976,205</b>	<b>257,186</b>	<b>559,857</b>	<b>884,123</b>	<b>87,108,468</b>
<b>June 2019</b>								
Net carrying amount at start of period	61,818,757	1,807,971	15,591,259	940,283	104,028	159,297	800,717	81,222,312
Restatement of infrastructure assets	(976,348)	-	-	-	-	-	-	(976,348)
Adjusted net carrying amount at beginning of year	60,842,409	1,807,971	15,591,259	940,283	104,028	159,297	800,717	80,245,964
Assets recognised for the first time	-	-	-	-	-	2,036	-	2,036
Net revaluation increments less revaluation decrements recognised in equity	2,178,627	224,444	625,786	33,327	85,564	310,303	27,000	3,485,051
Net revaluation increments less revaluation decrements recognised in net result	-	-	-	-	69,226	-	-	69,226
Asset write-off	(162,133)	-	(4,226)	-	(2,045)	(15,194)	(1,398)	(184,996)
Reclassification between PPE classes	2,208,651	-	477,131	-	61,063	163,725	94,110	3,004,680
Transfer from Level 2	-	24,027	-	-	-	-	6,158	30,185
Reclassifications (to)/from other assets	13,154	-	61,366	-	-	-	-	74,520
Depreciation expense	(1,118,594)	-	(219,287)	(15,834)	(50,407)	(38,303)	(15,010)	(1,457,435)
Transfer to councils	(26,002)	(207)	(7,774)	-	-	-	-	(33,983)
Transfer from councils	5,983	615	-	-	-	-	6,334	12,932
Transfer (to)/from other Transport agencies	43,924	-	-	-	-	-	-	43,924
<b>Net carrying amount at end of year</b>	<b>63,986,019</b>	<b>2,056,850</b>	<b>16,524,255</b>	<b>957,776</b>	<b>267,429</b>	<b>581,864</b>	<b>917,911</b>	<b>85,292,104</b>

Parcels of land are transferred from LAFFRW (level 2) to Land Under Roads (level 3) when construction begins. Refer Note 11 for RMS policy for determining when transfers are deemed to have occurred.

## Roads and Maritime Services

### Notes to the financial statements

for the five month period ended 30 November 2019

#### 16. Restricted Assets

	November 2019 \$'000	June 2019 \$'000
Cash and cash equivalents	476,388	390,916
Financial assets at fair value	124,169	119,614
<b>Restricted Assets</b>	<b>600,557</b>	<b>510,530</b>

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 \$57.5 million (June 2019: \$57.3 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. Monies of \$382.6 million (June 2019: \$293.7 million) are held within Westpac Bank Accounts that are included in the Treasury Banking System. A further \$124.2 million (2019: \$119.6 million) are held within TCorpIM Funds in NSW TCorp. The cash and investments 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 \$36.3 million (June 2019: \$39.9 million) are held within the Treasury Banking System. Transactions on this account are restricted to activity relating to land acquisitions.

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 \$NIL million (June 2019: \$0.01 million) are held within Westpac Bank Accounts that are included in the Treasury Banking System. Transactions on these accounts are restricted to rental payments.

## Roads and Maritime Services

### Notes to the financial statements

for the five month period ended 30 November 2019

#### 17. Payables

	November 2019 \$'000	June 2019 \$'000
<b>(i) Current payables</b>		
Accrued expenses		
- Work carried out by councils	72,488	141,733
- Works contract expenditure	482,128	565,308
- Other (including non-works contracts)	237,333	257,666
Trade creditors*	84,586	112,208
Creditors arising from compulsory acquisitions	45,277	37,526
Personnel services	67,670	72,294
Other	61,725	82,356
<b>Current payables</b>	<b>1,051,207</b>	<b>1,269,091</b>
<b>(ii) Non-current payables</b>		
Personnel services	5,349	5,229
<b>Non-current payables</b>	<b>5,349</b>	<b>5,229</b>

\*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.

#### Recognition and Measurement

Payables represent liabilities for goods and services provided to RMS and other amounts, including interest. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

Payables are financial liabilities at amortised cost, recognised initially at fair value, net of directly attributable transaction costs. Subsequent measurement is at amortised cost using the effective interest method.

Subsequent to the commencement of the *Government Sector Employment Act 2013*, the RMS Group of employees were transferred to Transport Service. Accordingly, employee related provisions are no longer recognised and instead disclosure reflects the personnel services payable to Transport Service.

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 30.



## Roads and Maritime Services

### Notes to the financial statements

for the five month period ended 30 November 2019

#### 18. Borrowings

	Notes	November 2019 \$'000	June 2019 \$'000
<b>(i) Current - Unsecured</b>			
Finance lease - Sydney Harbour Tunnel	12(c)	71,395	68,059
Lease liabilities	12(a)	47,452	-
<b>Current borrowings</b>		<b>118,847</b>	<b>68,059</b>
<b>(ii) Non-current - Unsecured</b>			
Finance lease - Sydney Harbour Tunnel	12(c)	145,712	176,516
Lease liabilities	12(a)	146,233	-
<b>Non-current borrowings</b>		<b>291,945</b>	<b>176,516</b>

Details regarding credit risk, liquidity risk and market risk, including maturity analysis of the above borrowings are disclosed in Note 30.

#### Recognition and Measurement

The Sydney Harbour Tunnel finance lease liability is recognised in accordance with the former 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.

Other lease liabilities are determined in accordance with AASB 16 *Leases*. Refer to Note 12.

Changes in liabilities arising from financing activities are as follows:

	Leases \$'000
<b>1 July 2018</b>	305,133
Cash flows	(60,558)
<b>30 June 2019</b>	<b>244,575</b>
Recognised on adoption of AASB 16	195,876
<b>1 July 2019</b>	<b>440,451</b>
Cash flows	(47,336)
Additions	16,657
Interest expense	1,030
Early retirement of leases	(10)
<b>30 November 2019</b>	<b>410,792</b>

#### 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.

#### Recognition and measurement

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value, being the premium received. Subsequent to initial recognition, RMS' liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation, and an expected credit loss provision.

## 18. Borrowings (continued)

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 \$6.0 million to 30 June 2021.

RMS has reviewed its financial guarantees and determined that there is no material liability to be recognised for financial guarantee contracts as at 30 November 2019 or at 30 June 2019. Refer to Note 23 regarding disclosures on contingent liabilities.

## 19. Provisions

	November 2019 \$'000	June 2019 \$'000
<b>(i) Current provisions</b>		
Provision for make good - leasehold	1,315	613
Provision for remediation - land	9,850	3,894
Provision for biodiversity	10,387	10,834
Other	112,846	21,892
<b>Current provisions</b>	<b>134,398</b>	<b>37,233</b>
<b>(ii) Non-current provisions</b>		
Provision for make good - leasehold	13,194	12,871
Provision for biodiversity	6,221	6,221
Other	-	41,135
<b>Non-current provisions</b>	<b>19,415</b>	<b>60,227</b>
<b>Total provisions</b>	<b>153,813</b>	<b>97,460</b>

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

	Provision for make good - leasehold \$'000	Provision for remediation - land \$'000	Provision for biodiversity \$'000	Other \$'000	Total \$'000
Carrying amount at start of period	13,484	3,894	17,055	63,027	97,460
Additional provisions recognised	4,423	6,525	-	50,000	60,948
Unused amounts reversed	(2,338)	(569)	-	-	(2,907)
Unwinding/ change in the discount rate	(1,043)	-	-	-	(1,043)
Amounts utilised	(17)	-	(447)	(181)	(645)
<b>Carrying amount at end of period</b>	<b>14,509</b>	<b>9,850</b>	<b>16,608</b>	<b>112,846</b>	<b>153,813</b>

The make good leaseholds provision is calculated on all leased properties where RMS is the lessee and reflects an estimate of the cost to make good the premises to their original condition at the end of the lease term. The calculated provision balance as at 30 November 2019 is based on per square metre rates ranging from \$108 to \$238 (June 2019: \$105 to \$233), adjusted by CPI of 2.25% (June 2019: 2.25%) and discounted at an average rate of 0.66% (June 2019: 1.41%). The level of the provision is reviewed at the end of each reporting period.

Provision for remediation of land is mainly comprised of works at Captain Cook Drive and Jackson Place Wolli Creek sites. The increase of \$6.5m during the five month period ended 30 November 2019 is due to an updated assessment of works required at the Captain Cook Drive site.

## **19. Provisions (continued)**

A provision for biodiversity was raised last year and represents the best estimate of the expenditure required to settle biodiversity credits arising from RMS construction works as well as maintain the required level of biodiversity on RMS land. A Biobanking Agreement credit retirement for \$0.5 million was processed in the 5 month period ended 30 November 2019.

Other provisions include compliance claims and other contractual obligations.

### **Recognition and Measurement**

Provisions are recognised 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. When discounting is used, the increase in the provision due to the passage of time (i.e. unwinding of discount rate) is recognised as a finance cost.

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 the provision.

## Roads and Maritime Services

### Notes to the financial statements

for the five month period ended 30 November 2019

#### 20. Other liabilities

	November 2019 \$'000	June 2019 \$'000
<b>(i) Current liabilities - other</b>		
Statutory creditors	13,654	13,495
Unearned rent on M5 Motorway	513	513
Sydney Harbour Tunnel tax liabilities	4,578	4,578
Income received in advance	30,132	22,300
Holding accounts	167,456	166,557
Deferred revenue - reimbursement on private sector provided infrastructure	21,597	19,023
Priority list on moorings	511	508
Wetland security deposits*	1,513	1,525
Boating fees in advance**	31,438	36,149
<b>Current liabilities - other</b>	<b>271,392</b>	<b>264,648</b>
<b>(ii) Non-current liabilities - other</b>		
Unearned rent on M5 motorway	3,096	3,310
Sydney Harbour Tunnel tax liabilities	12,157	11,955
Income received in advance	78,448	79,627
Deferred revenue - reimbursement on private sector provided infrastructure	588,285	492,995
Boating fees in advance	45,785	40,364
<b>Non-current liabilities - other</b>	<b>727,771</b>	<b>628,251</b>

\*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:

	November 2019 \$'000	June 2019 \$'000
<b>Sydney Harbour Tunnel tax liabilities</b>		
Sydney Harbour Tunnel past tax liability	1,918	1,918
Sydney Harbour Tunnel future tax liability	2,660	2,660
<b>Current</b>	<b>4,578</b>	<b>4,578</b>
Sydney Harbour Tunnel past tax liability	3,615	3,496
Sydney Harbour Tunnel future tax liability	8,542	8,459
<b>Non-current</b>	<b>12,157</b>	<b>11,955</b>
<b>Unearned rent and deferred revenue on motorways</b>		

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.

## Roads and Maritime Services

### Notes to the financial statements

for the five month period ended 30 November 2019

#### 20. Other liabilities (continued)

	November 2019 \$ '000	June 2019 \$ '000
Rent earned in prior year	18,176	17,663
Rent earned in current year	215	513
Unearned rent as at year end (current and non-current)	3,609	3,824
<b>Unearned rent</b>	<b>22,000</b>	<b>22,000</b>

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 Infrastructure, \$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; reimbursement of development costs of \$219.0 million (June 2019: \$222.8 million) and the concession payments of \$281.4 million (June 2019: \$285.5 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. Both promissory notes are redeemable in 2048 or earlier on achievement of the required rate of return. RMS have recorded the present value of these future cash flows of \$3.7 million (June 2019: \$3.7 million) as deferred revenue and will amortise the liability over the concession period.

Westconnex Stage 1B was opened to traffic on 13 July 2019. Capital works valued at \$106.9m constructed by the concession holder on RMS assets for integration purposes have been recognised as deferred revenue and will be amortised over the concession period.

The amortisation and deferred revenue balances are shown in the table below.

	November 2019 \$ '000	June 2019 \$ '000
Amortisation of deferred revenue in prior years	147,132	138,075
Amortisation of deferred revenue in current year	3,774	9,057
Unearned reimbursement as at year end	219,010	222,784
<b>Reimbursement of development costs for Lane Cove Tunnel, Cross City Tunnel and Western M7 Motorway</b>	<b>369,916</b>	<b>369,916</b>
Amortisation of deferred revenue in prior years	43,450	33,612
Amortisation of deferred revenue in current year	4,099	9,838
Unearned reimbursement as at year end	281,404	285,503
<b>Lane Cove Tunnel and M7 Motorway Concession Payments</b>	<b>328,953</b>	<b>328,953</b>
Amortisation of deferred revenue in prior years	2,960	2,822
Amortisation of deferred revenue in current year	53	138
Unearned reimbursement as at year end	3,678	3,731
<b>M2 and Eastern Distributor Promissory Notes</b>	<b>6,691</b>	<b>6,691</b>
Amortisation of deferred revenue in current year	1,073	-
Unearned reimbursement as at year end	105,790	-
<b>Westconnex 1B SMC contribution</b>	<b>106,863</b>	<b>-</b>
<b>Total Unearned reimbursement as at year end</b>	<b>609,882</b>	<b>512,018</b>
Classified as:		
Current	21,597	19,023
Non-current	588,285	492,995
<b>Total</b>	<b>609,882</b>	<b>512,018</b>

## 21. Increase in net assets from equity transfers

### Transfer of net assets

	Notes	November 2019 \$'000	June 2019 \$'000
<b>Net assets transferred were:</b>			
<b>Current assets</b>			
Cash and cash equivalents		-	-
<b>Non-current assets</b>			
<b>Property plant &amp; equipment</b>			
Land and buildings	11	-	(3,505)
Financial liabilities at fair value		-	-
<b>Increase/(decrease) in net assets from equity transfer</b>		<b>-</b>	<b>(3,505)</b>

### Recognition and Measurement

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.

### November 2019

There were no equity transfers for this period ending 30 November 2019.

### June 2019

Land valued at \$2.7m was cleared for return to the Planning Ministerial Corporation having been scoped out of future construction works. Land valued at \$0.7m was transferred to Sydney Metro for railway cutting and skytrain viaduct as part of the Sydney Metro Northwest, including areas for associated emergency and maintenance access.

## 22. Commitments for expenditure

### Capital Commitments

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

	<b>November 2019 \$'000</b>	<b>June 2019 \$'000</b>
Within one year	2,998,288	3,722,670
Later than one year and not later than five years	3,135,760	3,996,804
Later than five years	1,252	1,479
<b>Total (including GST)</b>	<b>6,135,300</b>	<b>7,720,953</b>

The total commitments detailed above include GST input tax credits of \$557.8 million (June 2019: \$701.3 million) that are expected to be recoverable from the ATO.

## 23. Contingent assets and contingent liabilities

There are several contractual disputes with an estimated total contingent liability of \$2.3 million (June 2019: \$2.4 million).

There are a number of contractual claims that have arisen from the normal course of business. 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 \$737.8 million (June 2019: \$779.3 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.

## 24. Budget Information

RMS budget information is not separately identified in the 2019-20 budget financial statements presented to the Parliament. As such RMS has not disclosed any budget information in the face of this financial statements as well as any budget review related note disclosure.

## Roads and Maritime Services

### Notes to the financial statements

for the five month period ended 30 November 2019

#### 25. 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	November 2019 \$'000	Restated June 2019 \$'000
Net cash inflows / (outflows) from operating activities		2,772,840	6,092,585
Depreciation and amortisation	2(d)	(636,681)	(1,526,610)
M2 and Eastern Distributor Promissory Notes		3,375	1,782
Non-cash personnel services expense		(22,857)	(47,395)
Right to receive on PSPI	13(a)	181,030	263,236
Non-cash grant from Transport Cluster agencies.	11	15,221	123,634
Other non-cash items		34,325	106,912
Property, plant and equipment transferred from councils	11	-	16,051
Infrastructure assets transferred to councils and NSW government agencies	2(e)	(19,175)	(33,983)
Net revaluation increment / (decrement) recognised in net result	5	(89,255)	(423,002)
Net gain / (loss) on sale of non-current assets held for sale	4	196	(153)
Increase/(decrease) in receivables		(8,494)	81,421
Increase/(decrease) in inventories		179	285
(Increase)/decrease in payables		48,623	36,841
(Increase) / decrease in provisions		(56,637)	3,144
Assets written off	5	(81,669)	(214,304)
Net gain / (loss) on sale of property, plant and equipment	4	(594)	(1,509)
<b>Reconciliation to net result</b>		<b>2,140,427</b>	<b>4,478,935</b>

#### 26. Non-cash financing and investing activities

	Notes	November 2019 \$'000	Restated June 2019 \$'000
M2 and Eastern Distributor promissory notes		3,375	1,782
Property, plant and equipment transferred from councils	11	-	16,051
Infrastructure assets transferred to councils and NSW government agencies	2(e)	(19,175)	(33,983)
Right to receive on PSPI	3(f)	181,030	263,236
Assets recognised for the first time	3(f)	-	11,087
Non-cash grant from Transport Cluster agencies	25	15,221	123,634
Assets written off	5	(81,669)	(214,304)
Equity transfers	21	-	(3,505)
Resources received free of charge	3(f)	24,933	59,314
Net revaluation increment recognised in net result	6	(89,255)	(423,002)
<b>Non-cash financing and investing activities</b>		<b>34,460</b>	<b>(199,690)</b>



## Roads and Maritime Services

### Notes to the financial statements

for the five month period ended 30 November 2019

#### 27. Administered income and expenses

	November 2019 \$'000	June 2019 \$'000
<b>Transfer receipts</b>		
Taxes, fees and fines	265,689	643,225
Stamp duty	330,869	793,928
Motor vehicle weight tax and fines	941,580	2,210,391
Other	41,014	94,918
<b>Administered income</b>	<b>1,579,152</b>	<b>3,742,462</b>
<b>Administered income less expenses</b>	<b>1,579,152</b>	<b>3,742,462</b>

#### Recognition and Measurement

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. 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. 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.

In 2018-19 the arrangement for collection of the regulatory fee in association with the National Heavy Vehicle Regulator changed. RMS now remits all Heavy Vehicle regulatory fees to the National Heavy Vehicle Regulator. \$23.5 million (June 2019: \$49.1 million) has been recorded within Other transfer receipts above.

## 28. Administered assets and liabilities

	November 2019 \$'000	June 2019 \$'000
Remitting account, cash in transit and cash on hand	29,377	40,074
<b>Administered assets</b>	<b>29,377</b>	<b>40,074</b>
Holding accounts (current liabilities-other)	29,377	40,074
Other*	279,214	258,248
<b>Administered liabilities</b>	<b>308,591</b>	<b>298,322</b>

The amount of multiple licence fees issued in the current year is approximately \$71.6 million (June 2019: \$165.2 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.

### Recognition and Measurement

RMS administers, but does not control, the collection of various fees, fines and levies on behalf of the Crown Entity. Transactions and balances relating to the administered activities are not recognised as RMS' assets and liabilities, but are disclosed as "Administered Assets and Liabilities". The holding accounts and remitting account balances above represent fees collected by motor registries that have not been remitted to the third party they are being administered for (generally NSW Treasury and the National Heavy Vehicle Regulator).

## 29. 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 November 2019. This assessment indicates there were no Native Title Claims which had a financial impact during the financial year ending 30 November 2019 (June 2019: none).

## Roads and Maritime Services

### Notes to the financial statements

for the five month period ended 30 November 2019

### 30. Financial instruments

RMS' principal financial instruments are outlined below. These financial instruments arise directly from RMS' operations or are required to finance RMS' operations. RMS does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

RMS' main risks arising from financial instruments are outlined below, together with RMS' objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout this financial report.

The Secretary 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 RMS on a continuous basis.

#### (a) Financial instrument categories

	Note	Category	Carrying amount November 2019 \$'000	Carrying amount June 2019 \$'000
<b>Financial assets</b>				
<b>Class:</b>				
Cash and cash equivalents	7	N/A	866,443	1,021,552
Receivables <sup>1</sup>	8	Amortised cost	173,805	253,564
Financial assets at fair value	9	Fair value through profit or loss	124,202	119,615
Other financial assets	10	Amortised cost	244,415	236,021
			<b>1,408,865</b>	<b>1,630,752</b>
<b>Financial liabilities</b>				
<b>Class:</b>				
Payables <sup>2</sup>	17,20	Financial liabilities measured at amortised cost	1,240,747	1,457,410
Borrowings	18	Financial liabilities measured at amortised cost	410,792	244,575
			<b>1,651,539</b>	<b>1,701,985</b>

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) Derecognition of financial assets and financial liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the contractual rights to the cash flows from the financial assets expire; or if RMS transfers its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:

- RMS has transferred substantially all the risks and rewards of the asset; or
- RMS has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control.

### 30. Financial instruments (continued)

When RMS has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. 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.

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 net result.

#### (c) Derivatives

RMS held \$0.03 million (June 2019: 0 million) in derivative financial assets and \$0 million (2019: \$0 million) in derivative financial liabilities.

#### Foreign exchange risk management

RMS only uses derivatives for hedging purposes and not as trading or speculative instruments. Forward foreign exchange contracts are used to mitigate exchange rate exposure arising from firm commitments for the purchase of goods and services in foreign currency.

All forward currency contracts have been designated as hedging instruments in cash flow hedges in accordance with AASB 9 *Financial Instruments*. The gain or loss from remeasuring the hedging instruments at fair value is recognised in other comprehensive income and deferred in equity in the hedging reserve, to the extent that the hedge is effective. There was no hedge ineffectiveness in the current period.

The following table indicates the periods in which the cash flow associated with cash flow hedges are expected to occur and the carrying amounts of the related hedging instruments.

	Weighted average contract rate	Contract Value \$'000	Expected cash flow			Total \$'000
			No Later than 3 months \$'000	Later than 3 months and no later than 12 months		
				12 months \$'000	Later than 12 months \$'000	
<b>November 2019</b>						
<b>Foreign exchange contracts</b>						
Denominated in US Dollars	0.7211	2,243	1,365	878	-	2,243
		<b>2,243</b>	<b>1,365</b>	<b>878</b>	<b>-</b>	<b>2,243</b>
<b>June 2019</b>						
<b>Foreign exchange contracts</b>						
Denominated in US Dollars	-	-	-	-	-	-
		-	-	-	-	-

Information about the exposure is provided: credit risk in Note 30(e), the methods and assumptions used in determining fair values of derivatives in Note 30(c).

### 30. Financial instruments (continued)

#### (d) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. RMS' exposures to market risk are primarily through interest rate risk on borrowings, foreign exchange risks associated with overseas purchase commitments and other price risks associated with the movement in the unit price of TCorp IM Funds facilities. RMS 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 2019 and assumes that all other variables remain constant.

#### (i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Exposure to interest rate risk through RMS' interest bearing liabilities is neutralised by undertaking fixed rate borrowings.

RMS do not account for any fixed rate financial instruments at fair value through profit and loss, as at fair value through other comprehensive income. 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 (based on official RBA interest rate volatility over the last five years). 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.

	November 2019 \$'000		June 2019 \$'000	
	-1%	+1%	-1%	+1%
Net Result	(12,351)	12,351	(13,772)	13,772
Equity	-	-	-	-

### 30. Financial instruments (continued)

#### (ii) Other price risk – TCorpIM Funds

Exposure to 'Other Price Risk' primarily arises through the investment in the TCorpIM Funds, which are held for strategic rather than trading purposes. RMS has no direct equity investments and holds units in the following TCorpIM Funds trusts:

Fund	Investments	Investment horizon	November 2019 \$ '000	June 2019 \$ '000
TCorp Medium Term Growth Fund	Cash, Australian shares, International shares, Listed property, Emerging market shares, Emerging markets debt, Bank loans, Inflation linked bonds, Fixed interest, Global Credit, High Yield, Multi-Asset	3 years to 7 years	84,046	81,475
TCorpIM Long Term Growth Fund	Cash, Australian shares, International shares, Listed property, Emerging market shares, Emerging markets debt, Bank loans, Fixed interest, Global Credit, High Yield, Multi-Asset	7 years and over	40,123	38,140

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 IM Funds facilities. A significant portion of the administration of the facilities is outsourced to an external custodian.

Investment in the TCorpIM Funds 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 TCorpIM Funds are measured at fair value through profit or loss and therefore any change in unit price impacts directly on net results. A reasonably possible change is based on the percentage change in unit price (as advised by TCorp in June of each year) multiplied by the redemption value as at reporting date of each year for each facility (balance from TCorpIM Funds statement).

Facility	Change in unit price	November 2019 \$ '000	June 2019 \$ '000
TCorpIM Medium Term Growth Fund	+/- 6%	5,043	4,889
TCorpIM Long Term Growth Fund	+/- 13%	5,216	4,958

### 30. Financial instruments (continued)

#### (iii) Foreign exchange risk

Exposure to foreign exchange risk arises primarily through the contractual commercial transactions denominated in a foreign currency. The risk is measured using sensitivity analysis and cash flow forecasting.

RMS manages its foreign exchange risk by entering into forward exchange contracts in accordance with the RMS risk management policies.

Foreign exchange risk related to the principal amount of overseas purchase commitments made, that are primarily denominated in US dollars, have been fully hedged using forward contracts that mature on the same dates as the forecast purchase are due for payment. These contracts are designated as cash flow hedges.

RMS's exposure to foreign exchange risk is set out in the table below, with all other variables being held constant. All underlying exposure and related hedges are taken into account. The impact on other comprehensive income is due to changes in the fair value of the financial instruments. The impact on equity is due to changes in the fair value of forward exchange contracts designated as cash flow hedge.

A sensitivity of 10% movement in the exchange rates has been selected for use in the sensitivity analysis at the reporting date, as this is considered reasonable, based on the current Australian dollar level and the historical volatility of the Australian dollar against other currencies. Based on the value of the Australian dollar at the reporting date as compared with the currencies below, adverse or favourable movements in the foreign exchange rates would result in an increase or decrease in the Australian dollar fair value respectively

		10%		-10%	
	Contract value \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
<b>November 2019</b>					
US Dollars	2,243	-	224	-	(224)
Foreign exchange contracts	<b>2,243</b>	<b>-</b>	<b>224</b>	<b>-</b>	<b>(224)</b>
<b>June 2019</b>					
US Dollars	-	-	-	-	-
Foreign exchange contracts	-	-	-	-	-

### **30. Financial instruments (continued)**

#### **(e) 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 credit losses or allowance for impairment).

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

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

RMS considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, RMS may also consider a financial asset to be in default when internal or external information indicates that RMS is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by RMS.

##### **(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**

#### **Accounting policy for impairment of trade debtors and other financial assets under AASB 9**

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. All trade debtors are recognised at the amounts receivable at the reporting date.

RMS applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade debtors.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on historical observed loss rates. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. RMS considers GDP and unemployment rates to determine whether adjustment is required to historical loss rates based on expected changes in these factors.

Trade debtors are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others a failure to make contractual payments for a period of greater than 365 days past due.



### 30. Financial instruments (continued)

The loss allowance for trade debtors as at 30 November 2019 and 30 June 2019 (on adoption of AASB 9) was determined as follows:

<b>November 2019</b>						
	<b>Current</b>	<b>&lt;30 days</b>	<b>30-60 days</b>	<b>61-90 days</b>	<b>&gt;91 days</b>	<b>Total</b>
Expected credit loss rate	-	2.6%	9.4%	16.7%	54.7%	
Estimated total gross carrying amount at default	37,084	11,289	4,297	1,555	14,403	68,628
<b>Expected credit loss</b>	<b>-</b>	<b>289</b>	<b>402</b>	<b>260</b>	<b>7,873</b>	<b>8,824</b>
<b>June 2019</b>						
	<b>Current</b>	<b>&lt;30 days</b>	<b>30-60 days</b>	<b>61-90 days</b>	<b>&gt;91 days</b>	<b>Total</b>
Expected credit loss rate	-	1.2%	12.0%	7.1%	63.9%	
Estimated total gross carrying amount at default	16,574	25,760	3,937	4,069	11,374	61,714
<b>Expected credit loss</b>	<b>-</b>	<b>309</b>	<b>471</b>	<b>288</b>	<b>7,265</b>	<b>8,333</b>

Note: The analysis excludes statutory receivables and prepayments, as these are not within the scope of AASB 7. Therefore, the 'total' will not reconcile to the receivables total in Note 8.

RMS is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors as at 30 November 2019. Most of RMS' debtors have an AAA credit rating.

#### (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.

#### (f) Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability.

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

As at 30 November 2019, RMS has received the full \$200 million in concession fees for the extension of the Lane Cove Tunnel service concession. Therefore, the fair value of the Lane Cove Tunnel concession payment is nil (2019: nil), and the carrying amount is also nil (2019: nil) (refer to Note 10)

The fair values of the M2 Motorway and Eastern Distributor promissory notes are \$149.6 million (June 2019: \$132.1 million) which differs from their carrying amount of \$62.6 million (June 2019: \$59.3 million) (refer to Note 10). The M2 Motorway promissory notes are determined using effective interest rate of 10.61 per cent (June 2019: 10.61 per cent) and Eastern Distributor promissory notes at 10.39 per cent (June 2019: 10.39 per cent).

The interest rate sensitivity analysis for these future cash flows is disclosed in Note 30(d)(i).

### 30. Financial instruments (continued)

#### (g) Fair value recognised in statement of financial position

Management assessed that cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their fair values, largely due to the short-term maturities of these instruments.

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 November 2019 \$'000	Level 2 November 2019 \$'000	Level 3 November 2019 \$'000	Total November 2019 \$'000
<b>Financial assets at fair value</b>				
TCorp IM funds	-	124,169	-	124,169
	-	<b>124,169</b>	-	<b>124,169</b>
	Level 1 June 2019 \$'000	Level 2 June 2019 \$'000	Level 3 June 2019 \$'000	Total June 2019 \$'000
<b>Financial assets at fair value</b>				
TCorp IM funds	-	119,614	-	119,614
	-	<b>119,614</b>	-	<b>119,614</b>

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 five month period ended 30 November 2019 (June 2019: none).

The value of the TCorpIM Funds is based on RMS' share of the value of the underlying assets of the facility, based on the market value. All of the TCorpIM Funds facilities are valued using 'redemption' pricing.

#### (h) 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.

During the current five month period and prior years, there were no defaults on any borrowings. 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.

### **30. Financial instruments (continued)**

Liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the “NSW Faster Payment Terms” policy. Payments up to \$10,000 will now be paid instantly by credit card. For registered small business suppliers, payment is made not later than 20 days from the date of receipt of a correctly rendered invoice for goods or services provided for between \$10,000 and \$1 million. For other suppliers, 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 small business suppliers, where payment is not made within the specified time period, interest payments are no longer applicable for late payments, but are at the discretion of agencies to pay.

## Roads and Maritime Services

### Notes to the financial statements

for the five month period ended 30 November 2019

### 30. Financial instruments (continued)

#### (h) Liquidity risk (cont'd)

The table below summarises the maturity profile of RMS' financial liabilities based on contractual undiscounted payments, together with the interest rate exposure.

#### Maturity analysis and interest rate exposure of financial liabilities

	Weighted Average Effective Int. Rate (%)	Nominal amount*	Interest rate exposure			Maturity dates		
			Fixed Interest Rate	Variable Interest Rate	Non-interest bearing	< 1 year	1 - 5 years	> 5 years
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>November 2019</b>								
<b>Payables</b>								
Trade creditors	-	84,586	-	-	84,586	84,586	-	-
Accrued expenses	-	791,949	-	-	791,949	791,949	-	-
Other payables	-	107,002	-	-	107,002	107,002	-	-
Personnel services	-	73,019	-	-	73,019	67,670	5,349	-
Sydney Harbour Tunnel tax liability	-	16,735	-	-	16,735	4,578	12,157	-
Holding accounts	-	167,456	-	-	167,456	167,456	-	-
<b>Borrowings</b>								
Finance leases	7.70	242,673	242,673	-	-	85,719	156,954	-
Lease liabilities	1.76	214,235	-	214,235	-	12,301	102,168	99,766
<b>June 2019</b>								
<b>Payables</b>								
Trade creditors	-	112,208	-	-	112,208	112,208	-	-
Accrued expenses	-	964,707	-	-	964,706	964,705	-	-
Other payables	-	119,882	-	-	119,882	119,882	-	-
Personnel services	-	77,523	-	-	77,523	72,294	5,229	-
Sydney Harbour Tunnel tax liability	-	16,533	-	-	16,533	4,578	11,955	-
Holding accounts	-	166,557	-	-	166,557	166,557	-	-
<b>Borrowings</b>								
Finance leases	7.70	277,614	277,614	-	-	84,545	193,069	-

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

### **31. Related Party Disclosures**

#### **(a) Key Management Personnel Compensation**

During the year, RMS incurred \$2.2 million (June 2019: \$4.5 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, outstanding balances or commitments with the reporting entity and its parent during the financial year**

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

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

During the five month period ended 30 November 2019, RMS entered into the following transactions with other NSW government agencies. Senior Management considers these within the normal course of business and, in addition to the details on these transactions provided in previous notes, makes the following qualitative disclosure:

- Transport for NSW (TfNSW - RMS' parent entity) - Grants revenue and recoupment/repayment of costs incurred by RMS/TfNSW on behalf of TfNSW/RMS.
- Transport Shared Services - charges for personnel services, finance, human resources, and information technology services, as well as personnel services revenue for seconded staff to other NSW government agencies.
- Property NSW - Right of use asset, corresponding liability and property rental payments.
- Insurance and Care NSW – Insurance payment to and hindsight adjustment received from the Treasury Managed Fund (TMF).
- NSW Treasury Corporation - Investment in T-CorpIM Funds facilities and investment revenue earned from these facilities.
- Service NSW – Front-line service delivery fees.
- Crown Entity – pass through of administered funds collected by RMS
- Various agencies (Including Planning Ministerial Corporation, Sydney Metro and Forestry Corporation of NSW) – Transfers of land to/from RMS
- Various agencies (including Department of Planning, Industry and Environment, Landcom, NSW Environment, Energy and Science, and the Department of Communities and Justice) - Grants and contributions received.
- Various agencies (including Department of Planning and Environment and Sydney Water Corporation) - Professional services and external works provided/received.

### **32. Correction of prior year balances**

#### **Road infrastructure systems**

RMS has recognised a prior period adjustment to revise the fair value of its roads assets. The adjustment has arisen mainly due to following:

- Some culverts, a component of the road assets, were duplicated in 2019 as these span over two or more road segments. The duplicate culverts have now been removed and this has decreased the fair value by \$290.1 million as at 30 June 2019.
- In 2018, retaining walls were valued using inventory information from the slope risk management system. However in the current period from a review performed, it was determined this inventory information was unsuitable to be relied upon for financial reporting purposes. Therefore an alternative percentage cost assumption has now been used to determine the fair value of the retaining walls retrospectively. This has resulted in the decrease in the fair value of roads assets by \$812.0 million as at 30 June 2019.

In aggregate both the adjustments have resulted in the decrease in the fair value of roads assets by \$1.1 billion, cumulated decrease in asset revaluation reserve by \$1.2 billion and increase in accumulated funds by \$65.5 million as a result of

## Roads and Maritime Services

### Notes to the financial statements

for the five month period ended 30 November 2019

### 32. Correction of prior year balances (continued)

decrease in depreciation expenses. The adjustment has been adjusted against the opening balance of equity and represents only 1.7% of the reported road assets fair value of \$65.1 billion at 30 June 2019.

The impact to the Statement of comprehensive income and Statement of financial position from restating the balances in the prior year due to the above matters are shown below:

<b>Statement of financial position as at 1 July 2018 and 30 June 2019</b>		<b>Original 1 July 2018 \$'000</b>	<b>Adjustment \$'000</b>	<b>Restated 1 July 2018 \$'000</b>	<b>Original 30 June 2019 \$'000</b>	<b>Adjustment \$'000</b>	<b>Restated 30 June 2019 \$'000</b>
	<b>Notes</b>						
<b>ASSETS</b>							
<b>Current assets</b>							
Cash and cash equivalents	7	886,839	-	886,839	1,021,552	-	1,021,552
Receivables	8	580,309	-	580,309	683,096	-	683,096
Inventory		4,762	-	4,762	5,047	-	5,047
Financial assets at fair value	9	111,565	-	111,565	119,615	-	119,615
Other financial assets (at amortised cost)		146,887	-	146,887	-	-	-
		<b>1,730,362</b>	<b>-</b>	<b>1,730,362</b>	<b>1,829,310</b>	<b>-</b>	<b>1,829,310</b>
Non-current assets classified as Held for Sale	14	1,121	-	1,121	303	-	303
<b>Total current assets</b>		<b>1,731,483</b>	<b>-</b>	<b>1,731,483</b>	<b>1,829,613</b>	<b>-</b>	<b>1,829,613</b>
<b>Non-current assets</b>							
Receivables	8	1,426,816	-	1,426,816	1,961,958	-	1,961,958
Other financial assets (at amortised cost)	10	222,992	-	222,992	236,021	-	236,021
Property, plant and equipment							
- Land and buildings	11(a)	3,660,886	-	3,660,886	3,500,732	-	3,500,732
- Plant and equipment	11(b)	105,371	-	105,371	109,678	-	109,678
- Infrastructure systems	11(c)	88,383,377	(976,348)	87,407,029	95,551,289	(1,101,614)	94,449,675
<b>Total property, plant and equipment</b>		<b>92,149,634</b>	<b>(976,348)</b>	<b>91,173,286</b>	<b>99,161,699</b>	<b>(1,101,614)</b>	<b>98,060,085</b>
Private sector provided infrastructure	13(a)	2,075,417	-	2,075,417	2,338,653	-	2,338,653
Intangible assets	13(b)	153,796	-	153,796	228,114	-	228,114
<b>Total non-current assets</b>		<b>96,028,655</b>	<b>(976,348)</b>	<b>95,052,307</b>	<b>103,926,445</b>	<b>(1,101,614)</b>	<b>102,824,831</b>
<b>Total assets</b>		<b>97,760,138</b>	<b>(976,348)</b>	<b>96,783,790</b>	<b>105,756,058</b>	<b>(1,101,614)</b>	<b>104,654,444</b>
<b>LIABILITIES</b>							
<b>Current liabilities</b>							
Payables	17	1,337,375	-	1,337,375	1,269,091	-	1,269,091
Borrowings	18	60,558	-	60,558	68,059	-	68,059
Provisions	19	16,500	-	16,500	37,233	-	37,233
Other	20	292,131	-	292,131	264,648	-	264,648
<b>Total current liabilities</b>		<b>1,706,564</b>	<b>-</b>	<b>1,706,564</b>	<b>1,639,031</b>	<b>-</b>	<b>1,639,031</b>
<b>Non-current liabilities</b>							
Payables	17	9,160	-	9,160	5,229	-	5,229
Borrowings	18	244,575	-	244,575	176,516	-	176,516
Provisions	19	26,103	-	26,103	60,227	-	60,227
Other	20	634,617	-	634,617	628,251	-	628,251
<b>Total non-current liabilities</b>		<b>914,455</b>	<b>-</b>	<b>914,455</b>	<b>870,223</b>	<b>-</b>	<b>870,223</b>
<b>Total liabilities</b>		<b>2,621,019</b>	<b>-</b>	<b>2,621,019</b>	<b>2,509,254</b>	<b>-</b>	<b>2,509,254</b>
<b>Net assets</b>		<b>95,139,119</b>	<b>(976,348)</b>	<b>94,162,771</b>	<b>103,246,804</b>	<b>(1,101,614)</b>	<b>102,145,190</b>
<b>EQUITY</b>							
Accumulated funds		75,493,532	12,018	75,505,550	79,974,748	65,513	80,040,261
Reserves		19,645,587	(988,366)	18,657,221	23,272,056	(1,167,127)	22,104,929
<b>Total equity</b>		<b>95,139,119</b>	<b>(976,348)</b>	<b>94,162,771</b>	<b>103,246,804</b>	<b>(1,101,614)</b>	<b>102,145,190</b>

# Roads and Maritime Services

## Notes to the financial statements

for the five month period ended 30 November 2019

### 32. Correction of prior year balances (continued)

Statement of comprehensive income For the year ended 30 June 2019		Original 30 June 2019 \$'000	Adjustment \$'000	Restated 30 June 2019 \$'000
	Notes			
<b>Expenses excluding losses</b>				
Operating expenses				
- Personnel services expenses	2(a)	485,100	-	485,100
- Other operating expenses	2(b)	1,407,452	-	1,407,452
Depreciation and amortisation	2(d)	1,578,897	(52,287)	1,526,610
Grants and subsidies	2(e)	527,120	1,052	528,172
Finance costs	2(f)	21,732	-	21,732
<b>Total expenses excluding losses</b>		<b>4,020,301</b>	<b>(51,235)</b>	<b>3,969,066</b>
<b>Revenue</b>				
Sales of goods and services from contracts with customers	3(a)	663,465	-	663,465
Personnel service revenue		485	-	485
Investment revenue	3(b)	36,224	-	36,224
Retained taxes, fees and fines	3(c)	71,601	-	71,601
Operating grant received from Transport for NSW (TfNSW)	3(d)	1,692,098	-	1,692,098
Capital grant received from TfNSW	3(d)	4,372,754	-	4,372,754
Other grants and contributions	3(e)	1,860,467	558	1,861,025
Other income	3(f)	389,807	-	389,807
<b>Total revenue</b>		<b>9,086,901</b>	<b>558</b>	<b>9,087,459</b>
Gain/(losses) on disposal of property, plant and equipment	4	(1,662)	-	(1,662)
Impairment losses in financial assets	8	(490)	-	(490)
Other gains/(losses)	5	(639,008)	1,702	(637,306)
<b>Net result</b>		<b>4,425,440</b>	<b>53,495</b>	<b>4,478,935</b>
<b>Other comprehensive income</b>				
<i>Items that may be reclassified to net result in subsequent periods</i>				
Net gains/(losses) in commodity swaps and foreign exchange	1(j)(ii)	-	-	-
<i>Items that will not be reclassified to net result in subsequent periods</i>				
Net increase/(decrease) in property, plant and equipment revaluation surplus	11	3,683,640	(178,761)	3,504,879
<b>Total other comprehensive income for the period/year</b>		<b>3,683,640</b>	<b>(178,761)</b>	<b>3,504,879</b>
<b>Total comprehensive income for the period/year</b>		<b>8,109,080</b>	<b>(125,266)</b>	<b>7,983,814</b>

### 33. Events after the reporting period

#### RMS Dissolution

The Transport Administration Amendment (RMS Dissolution) Bill 2019 assented on 22 November 2019 dissolved Roads and Maritime Services on 1 December 2019. On dissolution, RMS' assets, rights, liabilities and functions were transferred to Transport for NSW and will be used, recovered or settled in the normal course of business by the transferee. As a result RMS is required to prepare a final set of financial statements for the five month period ended 30 November 2019. As RMS was dissolved on 1 December 2019, it is no longer required to prepare statutory financial statements and annual reports for reporting periods commencing 1 December 2019 onwards.

The transfer of RMS net assets to Transport for NSW is a result of an administrative restructure and is designated as contributions by owners and recognised as an adjustment to "Accumulated Funds".

#### Transfer of net assets

	<b>Nov-19</b> <b>\$'000</b>
Total current assets	1,556,033
Total non-current assets	107,383,116
<b>Total assets</b>	<b>108,939,149</b>
Total current liabilities	1,575,844
Total non-current liabilities	1,044,480
<b>Total liabilities</b>	<b>2,620,324</b>
<b>Net assets transferred to Transport for NSW</b>	<b>106,318,825</b>

#### Natural disasters

After 30 November 2019, the state of NSW was impacted by natural disasters including bushfires and floods. A number of infrastructure assets were damaged as a result these events. Asset managers are currently assessing the cost of repairing these assets as the natural disaster events have recently resolved around the State. The extent of asset impairment is considered immaterial at the time this report was finalised.

#### COVID-19

COVID-19 has developed rapidly in 2020 having a significant impact on the economy including the Transport industry. The situation is ongoing and still evolving at the signing date of the financial statements however the known impacts are considered immaterial.

#### End of Audited Financial Statements





## 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 Comprehensive Income for the period 1 July 2019 to 30 November 2019, the Statement of Financial Position as at 30 November 2019, the Statement of Changes in Equity and the Statement of Cash Flows for the period 1 July 2019 to 30 November 2019, notes comprising a Statement of Significant Accounting Policies and other explanatory information.

In my opinion, the completion financial statements:

- give a true and fair view of the financial position of RMS as at 30 November 2019, and of its financial performance and its cash flows for the period 1 July 2019 to 30 November 2019 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 (including Independence Standards)' (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 Secretary's Responsibilities for the Financial Statements**

The Secretary is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Secretary determines is 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 Secretary is responsible for assessing RMS's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting.

## **Auditor's Responsibilities 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](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

- that RMS carried out its activities effectively, efficiently and economically
- 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.



Nathan Carter  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

18 August 2020  
SYDNEY

**Transport for NSW**

18 Lee Street Chippendale NSW 2008

**Executive Reception**

Monday to Friday 8.30am to 5.30pm

Ph: (02) 8202 2200 Fax: (02) 8202 2209

TTY (Teletypewriter service for  
hearing and speech impaired  
customers): (02) 9268 2244

**Postal address**

PO Box K659  
Haymarket NSW 1240

ISSN: 2205-7382