



Sydney Metro

Annual Report

2019-20



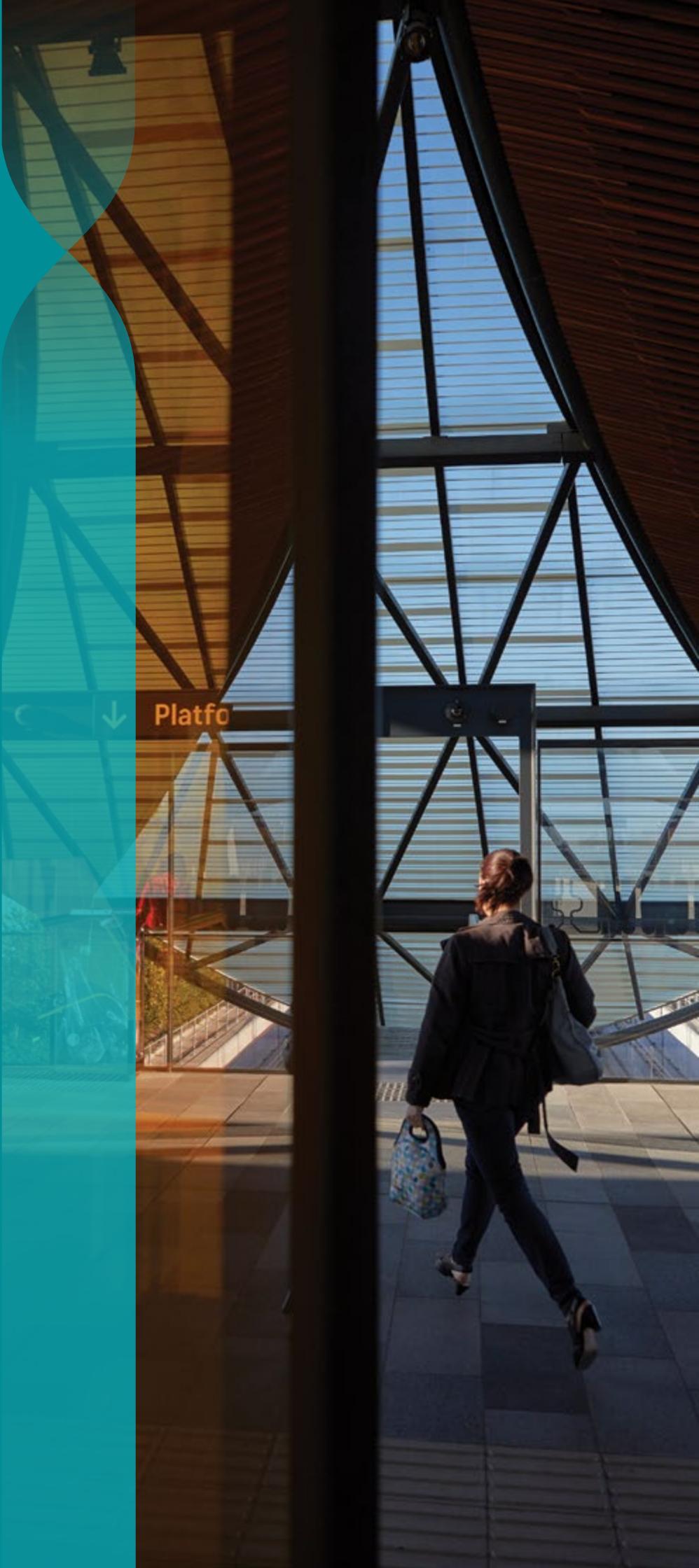
Sydney Metro

680 George Street
Sydney NSW 2000

Executive Reception
Monday to Friday
7.30am to 6.00pm
Ph: (02) 8265 9400

Postal address
PO Box K659
Haymarket NSW 1240

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Letter of submission

24 September 2020

The Hon. Andrew Constance MP
Minister for Transport and Roads

Parliament House
Macquarie Street, Sydney NSW 2000

Dear Minister,

I am pleased to submit for presentation to Parliament the Annual Report for Sydney Metro for the financial year ended 30 June 2020.

The Annual Report has been prepared in accordance with the *Annual Reports (Statutory Bodies) Act 1984* and the regulations under that Act.

The Financial Statements for 2019-20, which form part of the report, have been submitted to and certified by the Auditor-General of NSW.

Yours sincerely,



John Arthur
Chairman,
Sydney Metro Board



Gail Pemberton
Director,
Sydney Metro Board

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Foreword







1.2 From the Chairman and Chief Executive

On behalf of Sydney Metro, we are pleased to present the 2019-20 Annual Report. It conveys Sydney Metro's key activities and achievements for the year and the benefits for our customers, communities and the State.

During 2019-20 Sydney Metro has:

- completed the first year of operations on Sydney's first metro, the Metro North West Line
- advanced construction activities on Sydney Metro City & Southwest
- completed the Final Business Case and commenced procurement activities on Sydney Metro West
- developed the Sydney Metro - Western Sydney Airport scope and project definition, and completed the Final Business Case
- responded to the changing environment of the COVID-19 pandemic.

As Sydney Metro plays its critical role in supporting the NSW Government's State Infrastructure Strategy, Future Transport 2056, and A Metropolis of Three Cities, we will meet opportunities before us. These include:

- delivering customer-centric services for the people of NSW, helping relieve congestion and improving journey times and experiences for our customers
- delivering a technology-led improvement in customer experience
- being a commercially astute partner to industry during a record infrastructure boom
- being effective and successful place makers, reflecting the character and needs of dozens of individual communities along the alignments in our precincts and places
- growing a public sector workforce with experienced, inclusive leaders
- collaborating across government to deliver sustainable city-shaping outcomes.

We look forward to continuing to transform our city with a world-class metro, and shape our communities and the way we move in the future.



John Arthur
Chairman,
Sydney Metro Board



Dr Jon Lamonte
Chief Executive,
Sydney Metro

About us





2.1 About Sydney Metro

Charter

Sydney Metro is a NSW Government agency constituted by the *Transport Administration Act 1988*. Sydney Metro has functioned under that Act since 1 July 2018. Prior to this date Sydney Metro was a delivery office within Transport for NSW.

The principal objectives of Sydney Metro under this Act are to deliver safe and reliable metro passenger services in an efficient, effective and financially responsible manner, and to facilitate and carry out the orderly and efficient development of land in the locality of metro infrastructure. The other objectives of Sydney Metro are:

- (a) to be a successful business and, to that end:
 - (i) to operate at least as efficiently as any comparable business; and
 - (ii) to maximise the net worth of the State's investment in the metro;
- (b) to exhibit a sense of social responsibility by having regard to the interests of the community in which it operates;
- (c) where its activities affect the environment, to conduct its operations in compliance with the principles of ecologically sustainable development contained in section 6(2) of the *Protection of the Environment Administration Act 1991*.

2.2 Who we are

Sydney Metro is the NSW Government agency tasked with delivering the high-capacity, high frequency metro network across the Greater Sydney region, Australia's biggest public transport program and the largest urban railway infrastructure investment in the nation's history. It is Australia's first fully-automated, fully accessible railway.

In that respect our aim is to plan, build, operate and optimise the Sydney Metro customer journey. We are an operating agency within the Greater Sydney Division of the Transport cluster, contributing to an integrated public transport network serving a range of customers and communities.

We are here to deliver for our State – maximising the social, economic and environmental opportunities and benefits catalysed by safe, reliable, turn-up-and-go services, and the delivery of vibrant, attractive precincts around our stations.

We recognise that we need to be responsive to the needs of diverse communities along our alignments, and to be successful we must continue to refine our delivery methods, optimise our service offering, and share our insights and experience.

Our turn-up-and-go customer offering is at the heart of the Future Transport 2056 strategic vision for growing our public transport network, and creating vibrant, integrated and sustainable places for our customers and communities.

We have end-to-end accountability for delivering the metro service – from planning and construction, to operations, and integrating metro rail into the public transport network.



Platform screen doors keep people safe and allow trains to get in and out of stations faster.

Our strategic priorities

Our mandate is to support the economic development of the State, working to deliver the NSW Government’s vision of integrated, connected and liveable cities.

We commit to easy, safe and reliable turn-up-and-go services, active and attractive precincts and places, and delivering these customer-centric outcomes in a socially, financially and environmentally responsible way. We want to work together to grow the public value of the State’s investment, for the benefit of all.

Our vision is to transform Sydney with a world-class metro.

Our mission is to deliver Sydney a connected metro service, providing more choice to customers, and opportunities for our communities – now, and in the future.

Our strategic objectives sharpen our focus as a successful and outcomes-oriented business. Our strategic objectives are:

- successful engagement
- meeting delivery commitments
- operational excellence
- financial responsibility
- workforce capability.

Sydney Metro’s strategic direction is guided by external and internal strategies and plans, including the Premier’s Priorities, Future Transport 2056, and Transport’s 10 Year Blueprint, which sets a medium-term course to deliver upon the Future Transport 2056 Strategy.

Our place in the Transport cluster

Sydney Metro operates within the general government sector, and is administratively arranged within the Transport cluster. The Transport cluster’s principal agency is Transport for NSW.

We act in close partnership with our cluster colleagues, especially those within the Greater Sydney Division – we work with Transport for NSW and the other operating agencies to collectively deliver an easy-to-use, integrated public transport service for NSW. Transport for NSW has accountability for cluster strategic planning, cluster policy development, overall transport service integration, and multi-modal coordination of network disruptions. Work is underway on some significant changes to Transport for NSW and the operating agencies as part of ‘Evolving Transport’. Figure 1 gives details of the operating model implemented as part of ‘Evolving Transport’ for the Transport cluster.

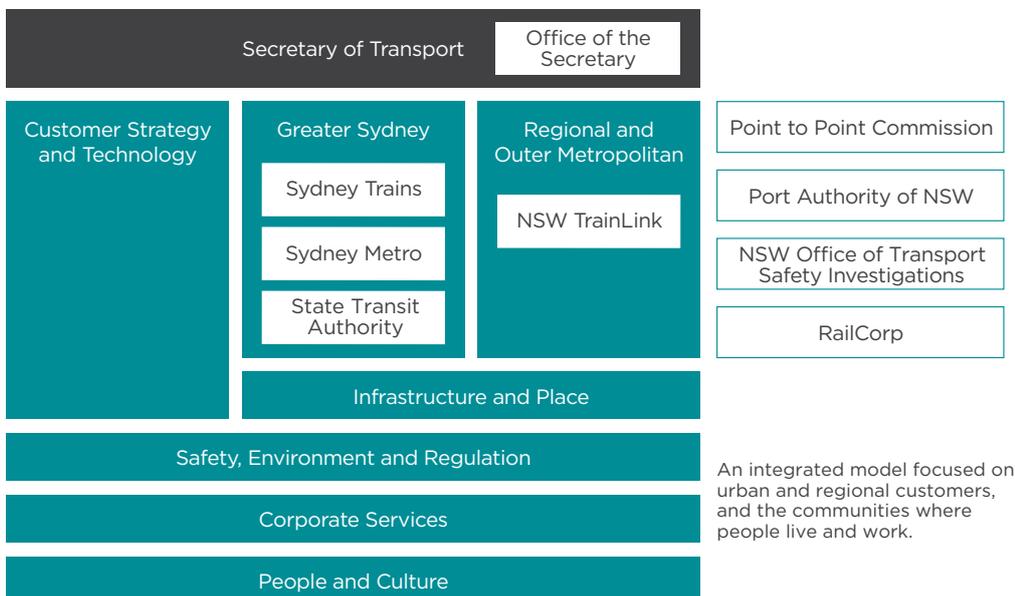


Figure 1: The operating model of the Transport cluster (as at 30 June 2020).

Key facts and achievements



19.1 million trips and over 3.9 million kilometres travelled on the Metro North West Line.



Completed tunnelling on the Sydney Metro City & Southwest Project.



Public exhibition of the first Environmental Impact Statement for the Sydney Metro West Project.



Sydney Metro - Western Sydney Airport announced by the NSW Government.

Operational performance

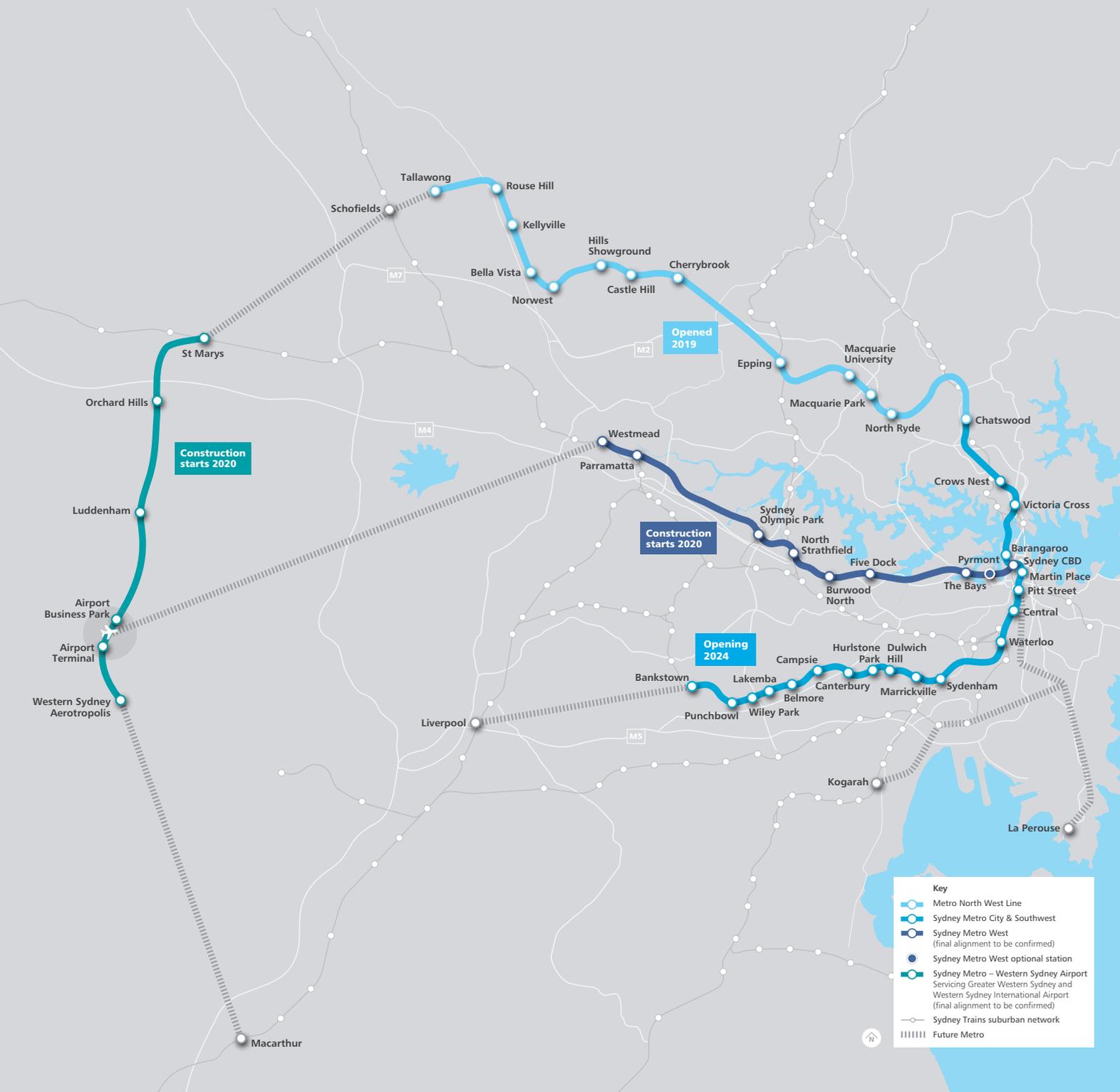
The Metro North West Line is the first stage of Sydney Metro. It completed its first year of operations in May 2020. In 2019-20, Sydney Metro provided 110,895 services, over a total of 3,903,504 kilometres.

Metro North West Line patronage in the 2019-20 financial year reached 19.1 million*, which was around 27 per cent lower than the initial forecast of 26.1 million

trips for the financial year. This decline in patronage was due to the COVID-19 pandemic.

Overall service performance for 2019-20 has seen significant improvement since operations commenced in 2018-19. Just over 99 per cent of services were delivered; service frequency within one minute was approximately 98.5 per cent; and around 94 per cent of Journey Time was below 37 minutes.

*Note: The annual patronage figure has been adjusted for un-ticketed travel (fare evasion) as per Transport for NSW guidelines and official figures.



Achievements





3.1 Meeting delivery commitments

We will deliver high quality metro infrastructure and places – safely, on time, and on budget.

We have been commissioned by the NSW Government to deliver an unprecedented infrastructure program with a long-term investment pipeline. Safely achieving these commitments, on time and on budget, is critical to demonstrating to the NSW Government and to the people of Sydney that we are a capable and efficient steward of this opportunity.

Sydney Metro City & Southwest project

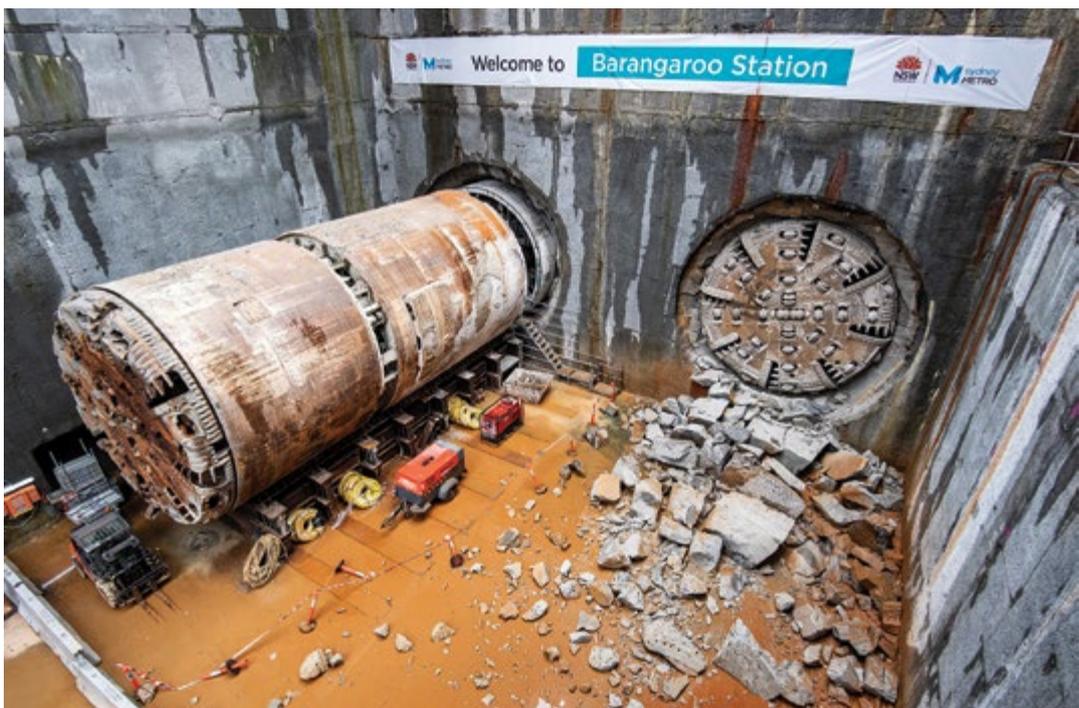
The Sydney Metro City & Southwest project includes a new 30-kilometre metro line extending metro rail from the end of the Metro North West Line at Chatswood, under Sydney Harbour, through new central business district (CBD) stations and south west to Bankstown. It is due to open in 2024 with the ultimate capacity to run a metro train every two minutes each way through the centre of Sydney.

Sydney Metro City & Southwest will deliver new metro stations at Crows Nest, Victoria Cross, Barangaroo, Martin Place, Pitt Street and Waterloo and new underground metro platforms at Central Station. In addition, it will upgrade and convert all 11 existing stations between Sydenham and Bankstown to metro standards.

The City & Southwest delivery strategy involves a range of contracts across the project alignment. Most contracts have been awarded, with the remaining contracts expected to be let by mid-2021.

Key project progress was made during 2019-20. As of 30 June 2020:

- 13 out of 17 major contract packages have been awarded
- tunnelling the 15.5-kilometre twin railway tunnels is complete
- 73 per cent of cross passages and almost 94 per cent of invert slabs in all tunnels are complete
- works are underway at new stations, and construction is underway at Central Station and at Sydenham Station and Junction.



Tunnel boring machine Mum Shirl (right) breaks through at the Sydney Metro Barangaroo station site joining tunnel boring machine Nancy inside the station box, January 16, 2020.

Sydney Metro West project

Sydney Metro West is the metro railway line that will deliver about 24 kilometres of underground rail between Westmead and the Sydney CBD through Olympic Park and The Bays Precinct.

In October 2019, the NSW Government announced the locations of seven proposed metro stations at Westmead, Parramatta, Sydney Olympic Park, North Strathfield, Burwood North, Five Dock and The Bays. Further planning and design work is underway to determine the location of a new metro station in the Sydney CBD. At the same time, Rydalmere and Pyrmont were identified as strategic station options also for further investigation.

An assessment of the feasibility of a Sydney Metro West station at Rydalmere concluded in April 2020. Following this comprehensive review, the NSW Government announced that a potential station at Rydalmere will not proceed, given its distance from the proposed railway alignment and the additional time it would add to the journey between Parramatta and the Sydney CBD. Evaluation of the merits of a station at Pyrmont is still ongoing.

Sydney Metro West will support a growing city and deliver world-class metro services to more communities. The project will create approximately 10,000 direct and 70,000 indirect jobs. The new rail line is fundamental to the realisation of the Greater Sydney Region Plan and Future Transport 2056, which supports a vision for a Metropolis of Three Cities- where people can conveniently access jobs and services within 30 minutes by public or active transport.

Sydney Metro West will have a travel-time target of around 20 minutes between Parramatta and the city. This new stand-alone metro will become the easiest and fastest journey within the growing corridor and between the Parramatta and Sydney CBDs, moving more than 40,000 people an hour in each direction and doubling the current rail capacity. This frees up capacity on existing suburban rail to the west, increasing reliability of services to and from areas like Blacktown, Penrith and the Blue Mountains.

The environmental assessment process for Sydney Metro West is being staged in recognition of the size of the project. Public exhibition of the Environmental Impact Statement (EIS) for the project Concept and Stage 1 was undertaken from 30 April to 26 June 2020. The Concept application seeks approval for construction and operation of a Sydney Metro line from Westmead to the Sydney CBD, with specific construction works being assessed in subsequent applications. The Stage 1 application seeks approval for all major civil construction works between Westmead and The Bays, including station excavation and tunnelling. Future project approvals will consider all stations, depots and rail systems between Westmead and The Bays and all major civil construction works including station excavation, tunnels, stations, depots and rail systems between The Bays and the Sydney CBD.

In April 2020, Expressions of Interest were called for the first two tunnelling contracts from Westmead to Sydney Olympic Park and from Sydney Olympic Park to The Bays. The Expressions of Interest closed in June 2020 with the tender process to continue into 2021. The first tunnel boring machine is expected to be in the ground before the end of 2022.

A stabling and maintenance facility for the new fleet of driverless metro trains will be located on government owned land at Clyde that is currently used for speedway racing. The NSW Government will relocate the speedway to the existing motorsport precinct at Eastern Creek. The formal planning and procurement process for the new speedway is underway and construction is expected to start in the second half of 2020.

Sydney Metro – Western Sydney Airport project

Sydney Metro – Western Sydney Airport is Sydney Metro's newest project with a new metro line to service Greater Western Sydney, connecting St Marys, the new Western Sydney International (Nancy-Bird Walton) Airport and Western Sydney Aerotropolis.

Following the completion of a business case, the Sydney Metro – Western Sydney Airport railway line was announced on 1 June 2020.

The project is a key commitment of the Western Sydney City Deal, a 20-year agreement signed in March 2018 by the Australian and NSW Governments, and eight Western Sydney local councils.

It will become the transport spine for the growing Greater Western Sydney region, connecting travellers from the new Western Sydney International (Nancy-Bird Walton) Airport to the rest of Sydney's public transport system. Both the Australian and NSW governments have a shared objective of having Sydney Metro – Western Sydney Airport operational when Western Sydney International Airport opens for passenger services.

The Sydney Metro – Western Sydney Airport project will provide a major economic stimulus for Western Sydney, creating 14,000 jobs during construction, including 250 new apprenticeships.

The project includes six new metro stations:

- St Marys will interchange with the existing suburban railway station and connect customers with the rest of Sydney's rail system
- Orchard Hills will service a future commercial and mixed-use precinct
- Luddenham will service a future education, innovation and commercial precinct
- Two stations will be located within the airport site – one at the airport terminal and one at the airport business park
- One station will be located at the commercial heart of Western Sydney Aerotropolis.

With the project transitioning from the development phase, the focus over 2019-20 has been on collaborating with stakeholders across the three tiers of government, and industry, to undertake procurement and delivery phase transition activities, to support the timely delivery of a fast, safe and reliable metro.

The formal planning process for the project is now underway, with early construction planned to commence later in 2020.

Independent project reviews

The following independent reviews were undertaken in 2019-20.

Independent project reviews, 2019-20

Project

Sydney Metro – Western Sydney Airport

Sydney Metro West

Sydney Metro City & Southwest

Sydney Metro City & Southwest – Waterloo Integrated Station Development

Sydney Metro City & Southwest – Trains, Signalling, Operations and Maintenance

Sydney Metro City & Southwest – Southwest Metro Corridor and Bankstown Station upgrade

Sydney Metro City & Southwest – Crows Nest Station

Sydney Metro City & Southwest – Southwest Metro Corridor Stations



Sustainability and environment

Sydney Metro is committed to undertaking our activities in a socially, financially and environmentally responsible way and we have achieved significant outcomes in 2019-20.

Project planning approvals

In 2019-20, the following Sydney Metro State Significant projects were approved under the *Environmental Planning and Assessment Act 1979*:

- State Significant Infrastructure - Chatswood to Sydenham Modification 6 - Administrative Modification
- State Significant Development (Stage 1) - Pitt Street South Over Station Development
- State Significant Development (Stage 1) - Pitt Street North Over Station Development
- State Significant Development (Stage 1) - Waterloo Metro Quarter Over Station Development.

In addition, in 2019-20 the following Sydney Metro State Significant project applications were commenced under the *Environmental Planning and Assessment Act 1979* and the *Environment Protection and Biodiversity Conservation Act 1999* (Cth) (EPBC):

- State Significant Infrastructure - Sydney Metro West Concept and Stage 1 project*
- State Significant Infrastructure - Speedway
- State Significant Infrastructure - Western Sydney Airport
- EPBC Referral - Western Sydney Airport.

* The environmental assessment process for Sydney Metro West is being done in stages in recognition of the size of the project.

Sustainability

Sustainability performance on Sydney Metro projects is measured against targets set out in project sustainability strategies. Third-party verification rating tools are also used to measure and monitor sustainability performance at both the Design and As Built stages.

The Metro North West Line is the first mega infrastructure project in Australia to receive a whole-of-project Infrastructure Sustainability (IS) As Built Rating (incorporating the IS Ratings from Early Works, Tunnel Stations Civil, Stations Viaduct Civils and Operation Trains Stations). The Leading rating (highest possible under IS Rating V1.0-1.2) is a reflection of Sydney Metro's leadership in the area of sustainability. The Sydney Metro North West Trains Facility also achieved a 4 Star Green Star, As Built Office Interiors rating.

The Sydney Metro City & Southwest Tunnels and Stations Excavation received a final verified IS Design Leading rating with a score of 100 (out of a possible 110). This is the highest score achieved for an IS Rating to date. Four stations (Martin Place, Crows Nest, Victoria Cross and Barangaroo) have been assessed against the bespoke Sydney Metro Green Star rating tool and have each achieved either a 5 Star or 6 Star Design score which represents 'Australian Best Practice' and 'World Best Practice', respectively.



Sydney Metro Chief Executive Jon Lamonte, signs a document at the contract signing for the Waterloo Integrated Station Development.



Construction is scheduled to start in 2020 on the Sydney Metro - Western Sydney Airport Project.

Environmental management

All works for Sydney Metro are carried out in accordance with the relevant project's environmental requirements, as set out in the relevant planning approval and environment protection licences.

Sydney Metro establishes the minimum acceptable environmental management standards for construction-related activities through our Construction Environmental Management Framework, which applies to all Principal Contractors that use this framework when developing Construction Environmental Management Plans and sub-plans. In 2019-20, there were no significant environmental incidents (Class 1) on any operational and project sites. Compliance tracking was also undertaken in accordance with the project's compliance tracking programs, and a total of 31 non-compliances were recorded. The majority of the non-compliances related to administrative / management system issues and have been responded to in a timely manner. Other non-compliances related to noise and vibration; traffic, transport and access; and soil and water.

Aboriginal cultural heritage and historic heritage

Sydney Metro City & Southwest

In 2019-20 work began on analysing and reporting on significant archaeological finds recovered in 2018-19 from Sydney Metro City & Southwest sites at Central Station, Barangaroo, Waterloo, Blues Point and Pitt Street. This work is feeding into the development of Aboriginal and non-Aboriginal interpretation planning for each station site. Reporting is expected to be completed in 2021.

Work has continued to progress on the conservation of the historic Barangaroo Boat timbers which are being treated at Sydney Metro's conservation site. It is anticipated that treatment will continue for the next two to three years before the boat can be put on permanent display.

Sydney Metro West and Sydney Metro - Western Sydney Airport

As part of our planning approval documentation, Sydney Metro prepares Aboriginal Cultural Heritage Assessment reports, which provide an assessment of likely archaeology and methodologies for consultation with the Aboriginal community, excavation, research, and identification of final repositories. Work has commenced on the Sydney Metro West and Sydney Metro - Western Sydney Airport projects, both of which have potential for Aboriginal archaeology. Aboriginal cultural and archaeological values will be outlined in the Sydney Metro West and Western Sydney Airport Environmental Impact Statements.

Resource management

Waste and spoil

In 2019-20, Sydney Metro achieved our target to beneficially re-use 100 per cent of all clean spoil (crushed rock) generated on projects, and to recycle at least 95 per cent of construction waste. The table below provides a breakdown for the re-use of waste and spoil.

Re-use of waste and spoil, 2019-20

	Construction and demolition waste (tonnes)	Spoil (tonnes)
Generated	44,769	2,087,426
Reused or recycled	43,658	2,087,426
Percentage reused or recycled	98%	100%
Target	95%	100%

Materials

Sydney Metro seeks to reduce our construction footprint through efficient use and selection of materials. Steel and concrete make up a significant proportion of the embodied carbon of Sydney Metro projects. Limits on the use of Portland cement and minimum proportions of supplementary cementitious materials such as fly ash and granulated ground blast furnace slag have avoided over 25,000 tonnes of carbon dioxide emissions from concrete in 2019-20.

Use of steel and concrete, 2019-20

	Steel (tonnes)	Concrete (cubic metres)
Total used	28,319	239,006

Water

Sydney Metro seeks to reduce water consumption, and encourages contractors to reduce water usage and use non-potable (non-drinking) water sources for suitable construction and operational activities. Water efficiency measures are incorporated into all designs, to ensure potable and non-potable water savings are realised. The Metro North West Line has been designed to enable sourcing of more than 70 per cent of the water needed for operations from either rainwater harvesting systems or a recycled water network.

Achievements in minimising the use of potable water in 2019-20 construction activities are detailed in the table below.

Potable and non-potable water use in construction, 2019-20

	Water used for construction (kilolitres)
Potable	497,308
Non-potable	308,494
Total water consumption	805,802
Percentage of water from non-potable source	38%

Climate resilience

Sydney Metro aims to deliver and operate a public transport network that is resilient to the challenges of climate change. All projects are required to carry out a climate-change risk assessment in line with the Transport for NSW Climate Risk Assessment Guidelines throughout the design stages and to mitigate all extreme and high-rated risks and at least 25 per cent of all medium-rated risks.

In 2019-20 Sydney Metro undertook a review of the impact of extreme weather events on Metro North West Line operations. The findings of this review are expected in Q1 2021 and will inform ongoing planning, design and operations activities.

Community

Through our delivery partners, Sydney Metro seeks to benefit the local community both during and beyond the construction phase of our projects. Example initiatives undertaken in 2019-20 are listed below.

Sydney Metro internal initiatives

These included:

- The Sydney Metro City & Southwest Project Director, supported by various leaders across Sydney Metro, took part in the annual Vinnies CEO Sleepout on 18 June 2020, raising \$19,973 for the homelessness charity
- Sydney Metro teams participated in the 100-kilometre Oxfam Trailwalker challenge, which together with other Transport for NSW teams raised more than \$45,000 to help people in poverty.

Delivery partner initiatives

These included:

- setting up Return and Earn bottle schemes across various Sydney Metro construction sites, with proceeds going to charity
- engaging in social enterprises which support disadvantaged people and communities
- running a Christmas gift drive for a Women and Girls' Emergency Shelter
- painting, and installing room dividers in Foster House men's shelter
- running food and clothing drives for various charities
- clearing litter in neighbourhoods around project sites as part of World Clean-up Day
- organising blood donation drives.



Kellyville Station on the Metro North West line.

3.2 Operational excellence

We will work with our partners to ensure that the metro, in operational service, achieves world-class standards and meets customer aspirations as a mode of choice.

While engaging with our operating partners, we are guardians of the customer outcomes for the metro network, and strive to achieve a standard that meets customer aspirations.

To achieve our strategic objective of operational excellence we use real-time data, productive and inclusive collaboration and forward-looking management plans.

Metro North West Line

Operations management

The Metro North West Line was largely delivered under a Public Private Partnership (PPP) with Northwest Rapid Transit (NRT), executed in September 2014. Under those arrangements, responsibility for operating the Metro North West Line is contracted to Metro Trains Sydney (MTS), part of the NRT consortium, for 15 years with a monthly service payment provided by Sydney Metro, subject to meeting agreed performance and safety standards.

Sydney Metro's key purpose is to deliver safe and reliable metro passenger services in an efficient, effective and financially responsible manner, and to focus on performance and service delivery, based on a strong purchaser-provider model with clear accountabilities for outcomes. To achieve these objectives a collaborative and consolidated approach is taken, through internal and external relationship building with the operator, other transport agencies, and the relevant government and regulatory authorities.

The current scope of Sydney Metro in managing operations includes:

- PPP contract administration including commercial and performance management
- customer outcomes
- compliance and verification management
- asset management
- environment and sustainability
- benefits realisation
- corridor protection.

Customer journeys

The highest monthly patronage for the financial year was recorded in October 2019, with 2.21 million customers boarding a metro service. An all-time high of 539,000 trips was recorded in the last week of February 2020, with the following week recording the second highest patronage with 503,000 trips.

Up until the end of February 2020, the patronage for 2019-20 was mostly in line with forecast figures, where patronage reached 16.0 million by 29 February 2020. It should be noted that stable trends could take more than 12 months to be established for a proper baseline.

Patronage from mid-March 2020 onwards was significantly impacted by the restrictions implemented in response to the COVID-19 pandemic. The patronage in March 2020 was around 43 per cent lower than the initial forecast. At the end of March 2020, the forecast for the following months was revised to reflect the decline in patronage resulting from the COVID-19 restrictions and public health measures.

The lowest weekly patronage of around 51,000 trips was recorded for the week ending 12 April 2020, which is less than 10 per cent of the all-time high patronage of 539,000 recorded in the last week of February 2020. There has been an incremental increase in patronage from May 2020 as a result of the gradual easing of restrictions and students returning to school.

It is expected that COVID-19 restrictions and public health measures will continue to have a significant impact on patronage in 2020-21, where customers who are able to work from home continue to do so, with a potential mode shift away from public transport. The initial forecast of 31.2 million trips for 2020-21 has been revised to 14.1 million trips based on our current understanding of the changes in travel behaviour in the past few months. It is expected that the forecast will be revised over 2020-21 as we gain a better understanding of the changes in travel behaviour.

Notes and caveats

'Patronage' for the purposes of Sydney Metro reporting is defined as the number of customers who board a metro service, whether they enter the station or transfer from other rail services.

Service performance

Overall service performance for 2019-20 has seen significant improvement in the three measures that are currently reportable. These include Service frequency within one minute (approximately 98.5 per cent), Services Delivered (over 99 per cent) and Journey Time below 37 minutes (around 94 per cent).

The first five months of the 2019-20 financial year was a period of bedding in and stabilisation of operations on the Metro North West Line.

The Metro North West Line service has matured over the year with improvements noted in the timeliness, frequency and reliability of the service. In the five months to November 2019, the service offering progressively ramped up to achieve the commitment to a turn-up-and-go service with a 37-minute journey time from Tallawong to Chatswood, and a service every four minutes in the peak and 10 minutes in the off-peak.

Customer satisfaction

Throughout the year, Sydney Metro maintained consistently high ratings of customer satisfaction, particularly in the areas of accessibility, ticketing, timeliness, cleanliness, and safety and security. The overall customer satisfaction rate is 96 per cent.

Climate change mitigation: energy efficiency and carbon offsets

Sydney Metro is committed to reducing our operational carbon footprint through the specification of energy-efficient trains, operating systems and stations. In addition, a solar panel array (covering more than 6500 square metres) has been installed on the maintenance building roof at the Sydney Metro Train Facility at Tallawong and is being used to power the facility and adjacent station.

Furthermore, Sydney Metro is committed to offsetting 100 per cent of its residual operational electricity consumption. In 2019-20, the Metro North West Line operations consumed 85,766,741 kilowatt hours (kWh) of electricity. This is being offset through a Green Products Purchase Agreement with a solar farm - Beryl Solar Farm, in regional NSW, built in June 2019. A total of 85,767 Large-scale Generation Certificates generated by Beryl Solar Farm will be surrendered to fulfil Sydney Metro's commitment to fully offset operational electricity for this year of operation. This agreement will continue to offset the Metro North West Line operations; and offset options will be explored for Sydney Metro City & Southwest operations. Delivery partners are also required to offset 25 per cent of electricity used during construction.

Energy efficiency and carbon offsets, 2019-20

	Electricity consumed (KWh)	Tonnes of carbon dioxide equivalent (tCO ₂ e) before offset	Percentage offset commitment
Metro North West Line operations	85,766,741	77,190	100%
Sydney Metro City & Southwest construction	37,451,052	33,706	25%

Precincts and places

Building new metro stations for Sydney provides an exciting opportunity to shape and create active precincts surrounding each station. Metro stations will be focal points in the communities that they serve, supporting new places for people to live, work and play, and public spaces designed to encourage walking, cycling and social interaction.

Northwest precinct development

Sydney Metro, together with Metro's North West Line development partner Landcom, have submitted applications for five major State Significant Development Applications (SSDAs) totalling over 9800 dwellings and 180,000 square metres of non-residential (retail/commercial/community) floor space. The proposals include new public spaces for communities to enjoy, and a minimum of 5 per cent affordable rental housing for workers on low to moderate incomes.

Temporary public spaces and art

As part of the place making and activation program, Sydney Metro and Landcom delivered a temporary public space adjacent to Tallawong Station, with another space adjacent to Bella Vista station due to open in late 2020. These temporary spaces have been used for a variety of community activities and events, including Tai Chi, 'Live Life Get Active' program, food trucks, Christmas activities, arts community events in collaboration with the Museum of Contemporary Art (C3West), and Playgroup NSW mothers group meet ups. Public art hoardings were also delivered within precincts surrounding the metro stations to bring them to life and create unique characters connected to the place.

Sydney Metro City & Southwest

Sydney Metro's new City & Southwest stations will help to create new and enhanced places that are easy to access, are connected to their surroundings, are comfortable and clean, and that provide social interactions and boundless opportunities.

Local communities are the focal point in planning, designing and managing new and upgraded public spaces. Through urban design principles and place making, Sydney Metro stations will be more than somewhere to catch the train; they will be the centre of the communities with a variety of uses for residents and visitors to enjoy.

Some examples of the work Sydney Metro has been doing to create new and enhanced places are described below.



An artist's impression of the proposed new plaza at Dulwich Hill.



An artist's impression of the Victoria Cross Integrated Station Development.

Victoria Cross

The Victoria Cross Station Design and Precinct Plan has received approval from the Department of Planning, Industry and Environment. The station precinct will be a major drawcard for visitors, workers and locals, creating a new pedestrian laneway and outdoor spaces in the heart of North Sydney.

It will also feature a three-storey retail building and dining and entertainment strip on Miller Street. New, adaptive open lawn areas could host future pop-up events such as market stalls, food trucks or other regular or temporary events.

The development aligns with North Sydney Council's vision of Miller Street as a green, civic boulevard running north to south through the heart of the urban centre.

Victoria Cross metro station will be a catalyst for the continuing rejuvenation and re-invigoration of the North Sydney CBD. It will provide easier, faster public transport links, new retail offerings and flexible public domain spaces that will enliven the urban precinct.

The project will also attract more shoppers and visitors and improve travel for locals through enhanced transport connections such as kiss and ride bays, bus interchange areas and public bike parking facilities.

Lendlease has been awarded the contract to deliver the station component of the Victoria Cross Integrated Station Development in North Sydney – including new retail spaces and improvements to the public domain.

Dulwich Hill

Sydney Metro will deliver a new public plaza along the southern side of Dulwich Hill Station. The new plaza is designed as a 'social street' with seating, gathering areas and opportunities for public art.

The design responds to the challenging topography whilst creating continuous connections, level public spaces, and accessible connections across and along the rail corridor. The landscape design of the plaza interprets the remnant Turpentine grassland vegetation and proposes new tree planting to reduce the urban heat island effect.

3.3 Successful engagement

We will collaborate with our communities and our partners to deliver sustainable, city-shaping transformation.

We are committed to establishing robust relationships with our customers, stakeholders and the community. This is underpinned by the belief that effective communication is a crucial element in the successful delivery and operation of our projects.

Successful engagement is essential in genuinely delivering with the customer at the centre, and in activating precincts and places that are attractive hubs within their local communities.

Our approach to communication and engagement is to:

- deliver a transport service that has been informed by engagement with stakeholders and the community
- build key stakeholder, community and general-public confidence in our projects
- manage risks associated with stakeholder and community issues.

Our aim is to:

- address concerns about individual project impacts from directly affected stakeholders
- provide adequate and coordinated stakeholder and community consultation that identifies and addresses issues in a timely manner
- provide consistency across our external communication activities and interfaces with stakeholders during delivery of Sydney Metro projects.

Customer and community engagement

Sydney Metro works closely and cooperatively with the community; Australian, NSW and local governments; contractors; advisors; other service providers; and key stakeholders.

We have been working with stakeholders and communities, adapting to community needs and refining our approach to delivering community and stakeholder engagement to achieve better outcomes. We meet communities where they are based so we can build strong relationships and create opportunities for meaningful engagement.

Sydney Metro is committed to building personal relationships, including through face-to-face interaction where possible, and digital engagement. We understand that the community and stakeholders want to communicate and access information in ways that are convenient and accessible. Our approach continues to evolve as we ensure our diverse communities have access to information through a variety of platforms.

In 2019-20 Sydney Metro undertook two major engagement activities for the Sydney Metro West Project – the release of the Scoping Report and property acquisition, and the lodgement and public exhibition of the project's first Environmental Impact Statement. Through both of these processes, the project's dedicated place managers worked closely with the community to answer questions and alleviate concerns.

The Sydney Metro West Westmead to the Bays Environmental Impact Statement was released for public exhibition and community feedback shortly after the COVID-19 restrictions came into place. The team quickly developed and implemented a virtual yet personal approach that ensured people could understand and have a say on this city-shaping project in an environment where public information sessions and face-to-face engagement were not possible.

The digital approach was complemented by targeted community and stakeholder outreach. Through this approach, Sydney Metro successfully engaged with more than 15,000 people during the exhibition period.

While traditional face-to-face consultation will always be a key pillar of the Sydney Metro approach, the challenges faced through the COVID-19 pandemic have shaped how the team will plan and undertake consultation moving forward, to ensure planning information is as easy to access as possible.

For projects in the pre-delivery phase, Sydney Metro has dedicated place managers. These community relations specialists provide a vital link between the project and the community, and are available to answer questions and receive feedback and/or complaints during delivery of the project.

On the Sydney Metro - Western Sydney Airport project, the community was invited to participate in an online 'Have Your Say' community survey in early 2020. The aim of the survey was to provide people with the opportunity to outline their priorities for public transport in Greater Western Sydney, and to provide feedback on future station precincts as part of the project. Responses provided valuable insight into how the community intends to use the new metro service, and how best to keep the community informed about potential construction impacts.

In 2019-20, Sydney Metro and our delivery partners on the Sydney Metro City & Southwest project undertook a range of consultation activities across the project alignment. This included exhibition and engagement for eight Station Design and Precinct Plans (Waterloo, Artarmon Substation, Central, Dulwich Hill, Marrickville, Campsie, Canterbury and Lakemba).

Community engagement was also undertaken on the Blues Point tunnel access modification, and the Bankstown Station modification. With face-to-face restrictions in place for part of the year as a result of the COVID-19 pandemic, new engagement approaches - such as webinars and virtual community information sessions - were used in place of traditional in-person sessions.

The Sydney Metro City & Southwest project team has also worked closely with the local community to achieve community agreements that allow construction hours and activities to be altered to better match local community needs. At Hurlstone Park, engagement was undertaken with local residents to form a community agreement that enabled out-of-hours work so children at a local childcare centre would not be as disrupted by the works. At Martin Place, a community agreement was extended to enable additional construction hours so that earthworks could be completed ahead of schedule and materials removed from site before peak hours to minimise further impacts.



Sydney Metro hosted an interactive robotics workshop for children to learn about driverless train technology.

Government and industry engagement

Sydney Metro works closely with stakeholders across Australian and NSW governments to develop and deliver our program of work. We aim to develop long-term relationships with a variety of partner agencies in the Transport cluster and others that have an interest in the delivery and benefits of Sydney Metro.

Sydney Metro has always had close interdependencies with other government agencies. The health, productivity and value of these relationships has been evidenced through successful cross-agency collaboration, during the development and lead up to funding decisions for Sydney Metro West and Sydney Metro – Western Sydney Airport.

The Sydney Metro – Western Sydney Airport project is being developed by Sydney Metro in partnership with the Australian Government, Department of Infrastructure, Transport, Regional Development and Communications, and in collaboration with other Australian and NSW government agencies (including Transport for NSW), and local government.

We recognise the pivotal role played by industry, and we are committed to the ongoing implementation of the NSW Construction Leadership Group's Ten Point Commitment to the Construction industry throughout our commercial and project lifecycles, including procuring and managing projects in a more collaborative way. To this end Sydney Metro has conducted a comprehensive program of market engagement and industry briefings to provide industry and potential participants with transparency and key information on Sydney Metro projects as well as ensuring industry is offered early opportunity to provide input to our projects. In 2019-20 the industry engagement program included briefing events, market sounding meetings and other activities for the Sydney Metro West and Sydney Metro – Western Sydney Airport projects.

In conjunction with the Construction Industry Leadership Forum, Sydney Metro has commenced a pilot initiative to engage with and involve industry early in the selection of the procurement model and risk allocation for one of its key packages, the Station Boxes and Tunnelling for Sydney Metro – Western Sydney Airport. The objective of this pilot engagement is to promote greater collaboration between industry, Sydney Metro and the NSW Government, and to encourage the building of mutual expertise, capability and improved outcomes to support the delivery of Sydney Metro's projects.



3.4 Financial responsibility

Our financial and commercial focus will drive value for money outcomes, and overall business success.

Sydney Metro provides stewardship of a capital investment program in excess of \$40 billion, and is the counterparty to a multi-billion dollar Public Private Partnership for operations. Sydney Metro has a strong focus on financial responsibility and on operating as a successful business.

In 2019-20, Sydney Metro's activities to support the strategic objective of financial responsibility have included continuing to work in partnership with Transport for NSW, NSW Treasury and Infrastructure NSW to manage closely the project capital budgets.

A review of our organisational structure, systems and governance was completed in 2019-20. The new organisation structure has been implemented and was designed to ensure that Sydney Metro has an agile and sustainable organisational structure that best supports cross-business efficiency, and Sydney Metro's long-term functional requirements, ensuring the organisation remains fit for purpose over the long term.

3.5 Workforce capability

At Sydney Metro we are committed to attracting and retaining a talented, diverse and innovative workforce.

As part of good business practice and in response to the COVID-19 pandemic, we have optimised systems that support the flexible sourcing and deployment of capabilities and talent.

Following reforms to our organisational structure and ways of working, we continue to have a blended and integrated workforce where we have identified roles and capabilities that are critical to our ongoing success. To support building key internal capability, initiatives such as mentoring and graduate programs have been implemented. We continue to have an ongoing focus on engineering and construction project leadership capability to deliver to our commitments.

We are also committed to working in partnership with highly capable delivery partners, and together contributing to growing the broader industry capacity. By virtue of our financial and geographic scale, we leverage a number of mechanisms to develop and promote greater workforce capability, including through contractual mechanisms and consultative advisory groups with construction leaders.

Workforce development

Sydney Metro is committed to developing a diverse and inclusive workforce and supply chain.

Our projects provide significant opportunities to support skills development across industry, and this has been a key focus for Sydney Metro since the start of work on the now operational Metro North West Line.

Through project-specific Workforce Development strategies, Aboriginal and Industry Participation plans, contractual requirements and industry-led initiatives, we have seen positive outcomes in the development of transferable skills and increased diversity in the construction industry.

The Sydney Metro City & Southwest project is a demonstration pilot project for the NSW Infrastructure Skills Legacy Program, and Sydney Metro's pre-employment program provides job opportunities to under-represented groups including the long-term unemployed and those impacted by COVID-19. The program has also delivered positive outcomes for women, with 12 per cent female participation, as well as 48 per cent Aboriginal People participation since the program was introduced in 2014.

Workforce diversity

At Sydney Metro, we harness individual skills, perspectives and experiences. We deliver solutions in a changing environment while meeting the needs of the community we serve.

We recognise the benefits of how a diverse workforce strengthens an organisation through a broad range of skills and experiences that enable innovative opportunities.

Information about Sydney Metro's workforce diversity is reported in accordance with the NSW Public Service Commission's reporting requirements.

Workforce diversity, 2019-20

Workforce diversity group	Benchmark	2018	2019	2020
Women in leadership positions	36.9%	N/A	44.2%	35.7%
Aboriginal and/or Torres Strait Islander Peoples	3%*	N/A	0.6%	1.0%
People with disability	2.3%	N/A	0.6%	0.8%

* This benchmark represents a target for 2025 as per Transport for NSW's commitment to the Premier's Priority.

In 2019-20, Sydney Metro established a Diversity and Inclusion team. Its first initiative was creation of the Sydney Metro Diversity and Inclusion Plan, which seeks to integrate diversity and inclusion targets into mainstream business activities. It outlines four key focus areas to harness individuals' unique skills, backgrounds, experiences and perspectives to expand our understanding of diversity and foster inclusion. These focus areas are women in leadership, Aboriginal employees, employees with disability, and increasing inclusion.

Sydney Metro is aligned to Transport for NSW's commitment to reach 40 per cent women in leadership roles by 2025. As at 30 June 2020, 35.7 per cent of leadership positions at Sydney Metro were held by women. The performance to date shows a decline, predominantly due to the increase in the establishment of additional senior leadership positions to support the business delivery plans. Sydney Metro continues to implement plans that focus on increasing the representation of women in senior leadership positions.

We aim to have an overall representation target of 3 per cent Aboriginal employees in non-executive salary classes by 2025. As at 30 June 2020, 1.0 per cent of the workforce were Aboriginal employees.

Sydney Metro aims to achieve the Premier's Priority target of 5.6 per cent of employees with disability by 2025. As at 30 June 2020, 0.8 per cent of the workforce were people with disability.

Sydney Metro ensures alignment to the Transport cluster activities and initiatives, and key significant dates for workforce diversity and inclusion have been acknowledged at Sydney Metro through a variety of internal communications channels.

With an invigorated and targeted focus on diversity and inclusion, Sydney Metro looks forward to driving the outcomes contained within the following plans over the next financial year:

- Sydney Metro Diversity and Inclusion Plan
- Transport for NSW Multicultural Plan
- Transport for NSW Reconciliation Action Plan
- Transport for NSW Disability Inclusion Action Plan
- Transport for NSW Aboriginal Participation Strategy.

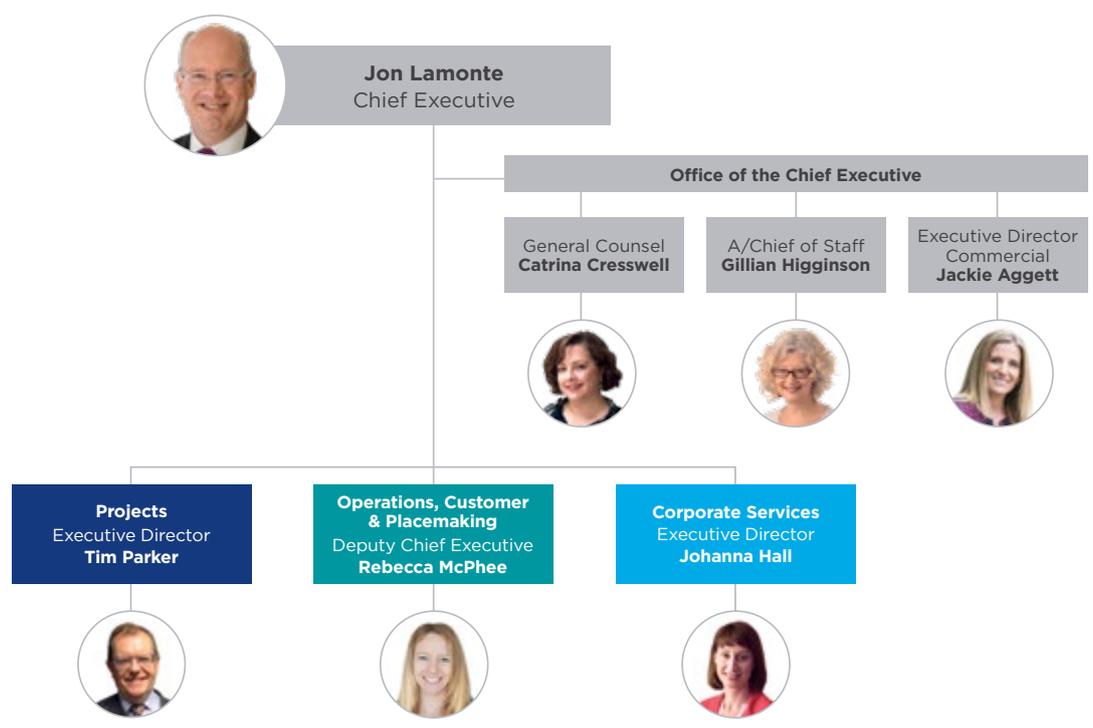
Our organisation and people





4.1 Our organisation structure

Sydney Metro Executive structure, 2019-20



4.2 Our executives

Sydney Metro Executives, 2019-20

Name	Position	Qualification
Jon Lamonte	Chief Executive	Bachelor of Science, Maths and Geology Master of Arts, Defence Studies Doctor of Philosophy, Modern History
Jackie Aggett	Executive Director, Commercial (from 23 September 2019)	Bachelor Commerce, Commercial Law and Applied Finance Graduate Australian Institute of Company Directors
Catrina Cresswell	General Counsel	Bachelor of Arts Bachelor of Laws (LLB)
Ivan Glavinic	Acting Deputy Chief Executive (to 27 August 2019)	Bachelor of Science, Human and Economic Geography Master of Urban and Regional Planning (Hons)
Johanna Hall	Executive Director, Corporate Services	Bachelor Applied Science, Speech Pathology Graduate Certificate Human Resource Management: Training and Development Graduate Certificate Applied Science: Psychology of Coaching Graduate Australian Institute of Company Directors
Gillian Higginson	Acting Chief of Staff	Bachelor of Arts (Hons) Doctor of Philosophy, English
Rebecca McPhee	Deputy Chief Executive (from 28 August 2019)	Master of Arts (Hons), Economics and Social and Political Sciences
Tim Parker	Executive Director, Projects	Bachelor of Science (Hons), Environmental Engineering

4.3 Our employees

Sydney Metro operates with an integrated workforce to deliver to our commitments. The table below is a summary of the government team members employed at Sydney Metro and does not include contracting team members.

Sydney Metro workforce, comparison over three years since 2017

Year	Salaried employees (Grade 1-9)		Transport Service Senior Managers		Total full-time employees
	Male	Female	Male	Female	
As at 30 June 2020	106	133	74	43	350.3
As at 30 June 2019	74	93	52	34	248.4
As at 30 June 2018	56	80	40	21	192.5
As at 30 June 2017	34	54	30	17	132.0

Exceptional movements in wages, salaries or allowances

In 2019-20, salaries, wages and allowances for Sydney Metro employees moved in accordance with the NSW Government Wages Policy.

The Transport for NSW Salaries and Sydney Metro Salaries and Conditions of Employment Award 2019 (the Award) was approved by the NSW Industrial Relations Commission on 16 September 2019. The Award applies to non-executive employees who were transferred to the Sydney Metro Group on 1 July 2018 or employed thereafter.

The Award provides for an increase to wages and related allowances of 2.5 per cent from the first full pay period commencing on or after 1 July 2019, and a further increase of 2.5 per cent for wages and related allowances from the first full pay period commencing on or after 1 July 2020.

A 2.5 per cent increase to the remuneration of Transport Service Senior Managers and Executives was applied following 1 July 2019 in accordance with the Statutory and Other Officers Remuneration Tribunal 2019 Annual Determination.

Personnel policies and practices

From 1 July 2018, Transport for NSW personnel policies, procedures and associated documentation applied to all employees (executive and non-executive) in the Sydney Metro Group. These policies and procedures continue to apply until a time when they are amended or replaced.

Sydney Metro has collaborated with Transport for NSW throughout the year on cluster-wide policies.

Industrial relations policies and practices

Formal consultation with the unions takes place through a quarterly Joint Consultative Committee. This has had a recent focus on implementation of the evolving structural reforms of Sydney Metro and the impacts of COVID-19 on ensuring the safety of our employees, customers and operational partners. Informal consultation with our employees and their unions features regular two-way communication.

Human resources impacts of the COVID-19 pandemic

Actions were implemented to ensure the safest possible working environment during the COVID-19 pandemic. From mid-March 2020, the majority of Sydney Metro team members transitioned to remote working arrangements. Remote working has successfully maintained our compliance with social distancing measures advised by NSW Health and has eased some of the burden on our commuting transport network.

Numbers and remuneration of senior executives

In 2019-20, the percentage of total employee-related expenditure relating to senior executives was 39 per cent compared with 57.8 per cent in 2018-19.

Remuneration of Transport Service senior executives, 2019-20

Transport Senior Service Level	Female	Male	Total	Average of total remuneration package*
TSSE Band 1 or equivalent				
2019-20	31	55	86	\$254,762
2018-19	17	44	61	\$250,528
TSSE Band 2 or equivalent				
2019-20	11	22	33	\$350,852
2018-19	4	19	23	\$320,985
TSSE Band 3 or equivalent				
2019-20	0	1	1	\$538,125
2018-19	0	1	1	\$525,000
2019-20 total	42	78	120	
2018-19 total	21	64	85	

*The average total remuneration package is based on annual salary data as at 30 June 2020.

Requirements arising from employment arrangements

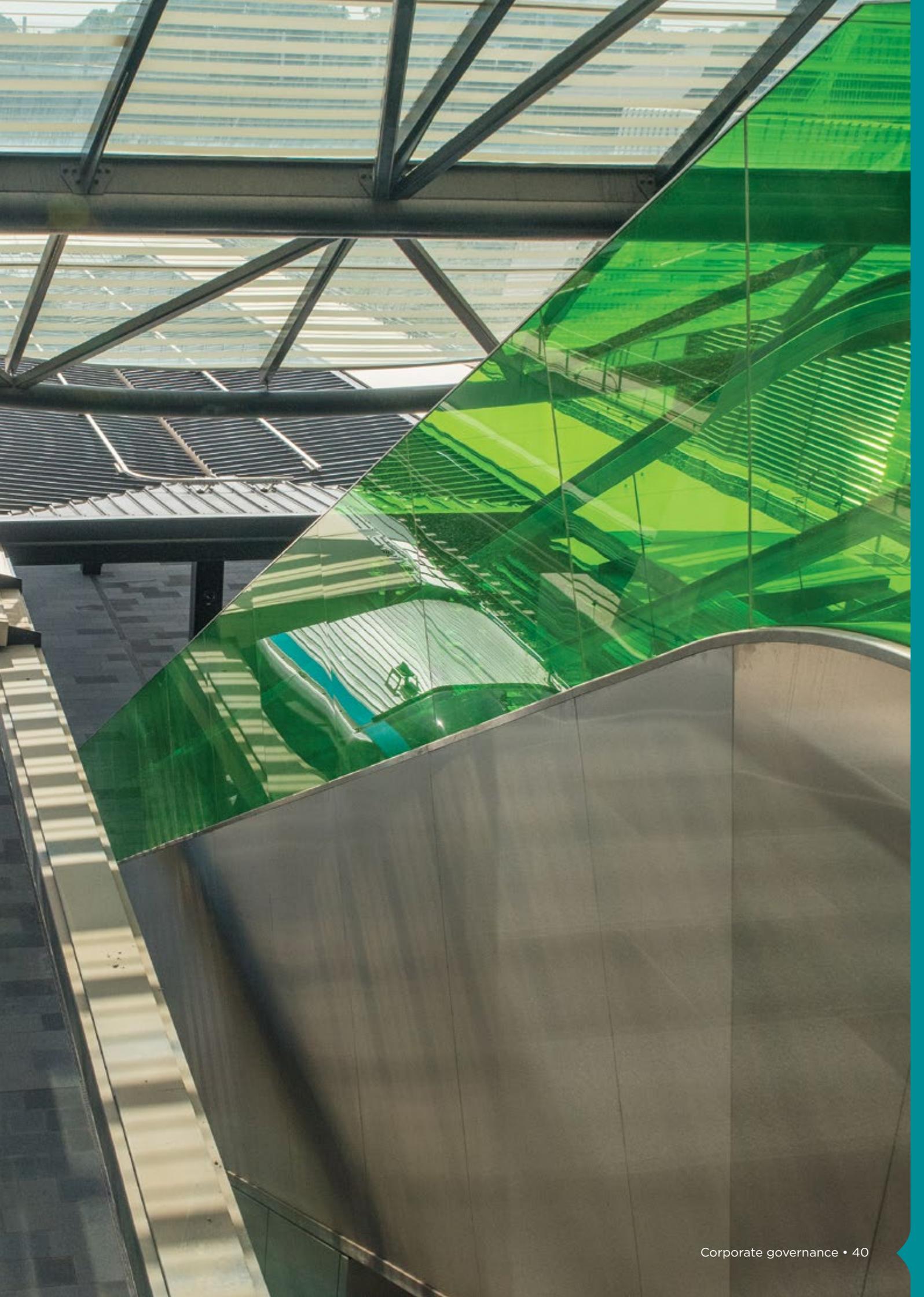
Employees at Sydney Metro are employed in the Transport Service. Personnel services are provided by the Transport Service of NSW. Personnel service expenses include salaries, wages, leave entitlements, superannuation, workers' compensation insurance premiums, payroll tax, fringe benefits tax and redundancies.



The cutterhead of tunnel boring machine Mabel is lifted by crane out of the Sydney Metro Blues Point temporary retrieval site.

Corporate governance





5.1 Sydney Metro Board

Sydney Metro is governed by a decision making Board. The Board governs Sydney Metro by setting its strategic direction, making key decisions, and appointing a Chief Executive to be responsible for the day-to-day management of Sydney Metro, and by providing direction, advice, guidance and support to the Chief Executive. The Minister and the Secretary of Transport for NSW have rights to direct Sydney Metro; and to the extent of any inconsistency, any such direction prevails over a policy or direction of the Board.

The Sydney Metro Board is established in accordance with section 38F and Schedule 2B of the *Transport Administration Act 1988* (TAA).

The Board must have a minimum of three and may have a maximum of eight directors, consisting of at least three and not more than seven directors appointed by the Minister; and one additional director that may be appointed by the Transport Secretary. One of the Minister's appointees is to be specifically appointed by the Minister as the Board's Chairperson.

Sydney Metro Board members, 2019-20

Name	Position	Qualification
Mr John Arthur	Chairman	LLB Hons
Mr John Barraclough	Director	Bachelor of Engineering (Civil) Hons
Mr Kerry (Bob) East	Director	MBA
Ms Thao Oakey	Director	Bachelor of Economics (Actuarial) Graduate of Australian Institute of Company Directors
Ms Gail Pemberton AO	Director	MA Graduate Certificate in Finance Fellow, Australian Institute of Company Directors
Ms Louise Thurgood	Director	MBA BA (Eco) Hons Graduate Diploma in Finance

John Arthur, Chairman

John Arthur is a highly experienced executive, director and advisor across a broad range of industries, including experience as Chief Executive Officer (CEO) of Investa Property Group, Chief Operating Officer of Westpac, General Counsel of listed entities in two industries, Chairman of the legal firm Gilbert + Tobin, adviser on governance and probity issues, and legal and commercial adviser to CEOs, chairmen, executive teams and boards. John became Chairman on 1 July 2019.

John Barraclough, Director

John Barraclough has decades of public and private sector experience at a senior executive level in major infrastructure delivery, including transport infrastructure. He is a member of the Major Transport Infrastructure Board Victoria and a member of the NSW Health Infrastructure Board, and was a member of the Sydney Metro Assurance Board.

Kerry (Bob) East, Director

Bob East has more than 20 years' experience in the tourism, property and travel industry, most recently as CEO of the Mantra Group. Together with a passionate group of private investors, Bob created the Mantra Group, and over a period of 12 years shaped the group to be Australia's largest hotel and resort business, operating 140 hotels predominantly under the Peppers and Mantra brands. Prior to this Bob worked with the Mirvac group on property development.

Bob is the Chairman of Tourism Australia, and prior to this was Chairman of Tourism Events Queensland. He is Chairman of AVC Group with over 160 hotels and clubs in Australia and New Zealand, and Chairman of Experience Co (ASX). He is also Deputy Chair of the Gold Coast Suns Football Club (AFL).

Thao Oakey, Director

Thao Oakey has over 20 years of experience in major infrastructure financing, development and operations, with over 10 years in investment banking prior to undertaking senior executive roles at Leighton Contractors (as General Manager, Infrastructure Investments) and Sydney Motorway Corporation (as Chief Investment Officer). Thao has an in-depth understanding of project and structured finance, mergers and acquisitions, project risk allocation and risk management. Thao's prior board experience includes Westlink M7, SA Health Partnership, Copperstring, WestConnex M4 and Wellington Gateway Partnership.

Gail Pemberton AO, Director

Gail Pemberton's executive career has had a central focus on technology, technology intensive businesses, and financial services in a variety of C-level roles. These included Chief Operating Officer UK at BNP Paribas Securities Services and CEO and Managing Director, BNP Paribas Securities Services, Australia and New Zealand. Prior to BNP Paribas, Gail worked at Macquarie Bank for 20 years, holding the role of the inaugural Group Chief Information Officer (CIO) for 12 years and subsequently as Chief Operating Officer (COO) of the Financial Services Group.

Gail's current board roles include Non-Executive Director of Eclix (ASX:ECX), Land Services WA and Chair of Prospa (ASX:PGL). She has previously served on a variety of boards over the past decade, both ASX listed and unlisted, and in the private, public and not-for-profit sectors, variously as Board Chair, Remuneration and Nomination Committee Chair and Risk Committee Chair, including Onevue (ASX:OVH), PayPal Australia, QIC, and the Sydney Opera House Trust.

Louise Thurgood, Director

Louise Thurgood has 25 years of experience in the banking, finance, and infrastructure sectors, with extensive risk-management experience extending across a wide range of industries including infrastructure, agriculture, construction, renewable energy, mining and consumables.

Louise is currently a member of the Heritage Council of NSW, Non-Executive Director of Advance.Org, a member of Global Access Partners National Standing Committee on the Environment and Energy, and co-founder and Director of Orion Mechanical Services. Past roles have included Moorebank Intermodal Company, Clearview Life Nominees and Chair of several not-for-profit boards.

Sydney Metro Directors appointed, 2019-20

Member	Term of appointment
Mr John Arthur	1 January 2019 – 31 December 2023
Mr John Barraclough	1 July 2019 – 30 June 2020 1 July 2020 – 30 June 2021 (reappointed)
Mr Kerry (Bob) East	1 July 2019 – 30 June 2020 1 July 2020 – 30 June 2023 (reappointed)
Ms Thao Oakey	1 January 2019 – 31 December 2023
Ms Gail Pemberton AO	1 July 2019 – 30 June 2020 1 July 2020 – 30 June 2023 (reappointed)
Ms Louise Thurgood	1 January 2019 – 31 December 2023

Each Director attended the following meetings of the Board and its Committees.

Board and Committee Meeting attendance, 2019-20

Director	Board		Audit and Risk Committee	
	Meetings eligible to attend	Meetings attended	Meetings eligible to attend	Meetings attended
Mr John Arthur	14	13	5	4
Mr John Barraclough	14	13	-	-
Mr Kerry (Bob) East	14	12	-	-
Ms Thao Oakey	14	14	-	-
Ms Gail Pemberton AO	14	14	5	5
Ms Louise Thurgood	14	14	5	4



Transport for NSW undertaking extensive cleaning at Sydney Metro stations and onboard trains across the city in response to the world-wide COVID-19 pandemic.

5.2 Governance framework

Sydney Metro is a NSW Government agency within the Ministerial portfolio of the Minister for Transport and Roads. The Minister for Transport and Roads has ultimate accountability on behalf of the NSW Government for Sydney Metro's program of work.

The Sydney Metro Board sets the strategic and commercial direction for Sydney Metro. The Chief Executive of Sydney Metro reports to the Board, and is responsible for the day-to-day management of Sydney Metro and delivering the business strategy.

Sydney Metro operates within the general government sector, and is administratively arranged within the Transport cluster. The Transport cluster's principal agency is Transport for NSW.

A Collaboration Agreement between Sydney Metro and Transport for NSW describes the accountabilities of each agency and sets the framework for our relationship with our partners in the Transport cluster. This agreement outlines the obligations of both organisations and helps the Board prioritise its focus and direction for the Chief Executive.

5.3 Audit and risk management

Risk management at Sydney Metro is a significant part of organisational governance. It drives business performance and delivery of project objectives safely and successfully. We are committed to continual improvement in our risk management practices, and to building a strong risk culture to support our projects and operational success.

Our Risk Management Framework complies with the requirements set out in the NSW Treasury Internal Audit and Risk Management Policy for the NSW Public Sector (TPP 15-03), and conforms to the Australian and New Zealand Standard for Risk Management (AS/NZS ISO 31000).

Risk management is embedded in business planning, project development and management processes. Sydney Metro applies an enterprise-wide structured and accountable approach to ensure risks are proactively identified and appropriately mitigated. Sydney Metro adopts the Three Lines of Accountability model to risk ownership and oversight. Risks and mitigations are regularly reviewed and reported to the Sydney Metro Board.

Sydney Metro's risk management is subject to oversight by an Audit and Risk Committee chaired by an independent non-executive Chair. Sydney Metro makes decisions and takes actions that are in accordance with the risk appetite set by the Sydney Metro Board.

5.4 Internal audit and risk management attestation statement

Internal audit and risk management attestation statement for the 2019-20 financial year for Sydney Metro

On behalf of the Board, I John Arthur, am of the opinion that Sydney Metro has internal audit and risk management processes in operation that are compliant with the eight core requirements set out in the Internal Audit and Risk Management Policy for the NSW Public Sector (TPP15-03):

Core requirements

Risk management framework

1.1	The agency head is ultimately responsible and accountable for risk management in the agency.	Compliant
1.2	A risk management framework that is appropriate to the agency has been established and maintained and the framework is consistent with AS/NZS ISO 31000:2009.	Compliant

Internal audit function

2.1	An internal audit function has been established and maintained.	Compliant
2.2	The operation of the internal audit function is consistent with the international standards for the Professional Practice of Internal Auditing.	Compliant
2.3	The agency has an Internal Audit Charter that is consistent with the content of the 'model charter'.	Compliant

Audit and Risk Committee

3.1	An Independent Audit and Risk Committee with appropriate expertise has been established.	Compliant
3.2	The Audit and Risk Committee is an advisory committee providing assistance to the agency head on the agency's governance processes, risk management and control frameworks, and its external accountability obligations.	Compliant
3.3	The Audit and Risk Committee has a Charter that is consistent with the content of the 'model charter'.	Compliant

Membership

The Chairman and Members of the Audit and Risk Committee are independent to management and during 2019-20 were:

- Chairman, Bob McKinnon
- Member, John Arthur
- Member, Gail Pemberton
- Member, Louise Thurgood.



John Arthur
Chairman,
Sydney Metro Board

24 September 2020

5.5 Cyber Security Policy attestation

Cyber security annual attestation statement for the 2019-20 financial year for Sydney Metro

I, Jon Lamonte, am of the opinion that Sydney Metro has managed cyber security risks in a manner consistent with the Mandatory Requirements set out in the NSW Government Cyber Security Policy.

In line with the NSW Government Cyber Security Policy, Sydney Metro has identified its critical assets and has an ongoing program of work to identify and assess the changing security threats, manage new and current risks and implement appropriate controls.

A mix of reviews, independent audits and certifications of the Agency's ISMS were undertaken, in addition to reporting against the Mandatory Requirements of the NSW Government Cyber Security Policy and found to be adequate or findings being addressed through the program of work as appropriate.

This attestation covers the following agencies: Sydney Metro.



Jon Lamonte
Chief Executive,
Sydney Metro

13 August 2020

5.6 Insurance

Sydney Metro procures project-specific delivery phase insurances for the Sydney Metro City & Southwest project from the commercial insurance market. This includes the following insurances:

- contract works: physical loss or damage to the works
- delay in start-up: loss of revenue (service payments payable to NRT) following a delay to completion arising from insurable damage
- public liability: legal liability to third parties for personal injury or property damage arising out of the works.

Other project insurances such as professional indemnity, workers' compensation and motor vehicle insurance are procured by the appointed contractors for the delivery contracts underway and commencing in the future. These insurances cover the insurable interests of Sydney Metro where applicable.

Operations phase insurances for the Metro North West Line are procured by, or on behalf of NRT in accordance with the Operations, Trains and Systems Project Deed. These insurances include property damage, public liability, and professional indemnity insurance, which cover Sydney Metro for our insurable interests where applicable.

Notifications of claims made by contractors and operators are accepted by insurers as a notification by Sydney Metro, such that its notification obligations are met. In the event of an insurance claim under the project insurances, contractors and operators deal directly with insurers and loss adjusters and are required to keep Sydney Metro informed of all developments.

Sydney Metro also uses the NSW Treasury Managed Fund for our direct insurance requirements (non-project related insurances) including property damage, workers' compensation, public liability and miscellaneous items. In 2019-20 there were no material claims made against any of these insurance categories under the NSW Treasury Managed Fund.

Reporting and disclosure





6.1 Community satisfaction

Sydney Metro takes customer and community feedback seriously and continually looks for opportunities to incorporate suggestions and ideas for improvement.

In 2019-20 Sydney Metro received 783 complaints. The most common issues were noise, vibration impacts, and feedback on elements of project design. The majority of construction complaints were received through the projects' 24-hour phone numbers. Complaints are investigated and responded to in a timely manner, generally within three days. Changes that may result from these investigations include changes to construction planning and methodology to minimise ongoing impacts (for example, different equipment used, timing and days of work changed where possible). In some cases, alternative accommodation and respite vouchers were offered to further minimise impacts.

On the Metro North West Line, Sydney Metro has maintained consistently high ratings of customer satisfaction throughout 2019-20, with a customer satisfaction rating of 96 per cent. The service is delivering high ratings particularly in the areas of accessibility, ticketing, timeliness, cleanliness, and safety and security.

6.2 Work Health and Safety

Health and safety performance

Summary of health and safety performance for Sydney Metro

Measure	2018-19	2019-20
Number of events reported	14	18
Lost Time Injuries due to workplace-related injury or illness	0	0
Prosecutions reported	0	0

Summary of health and safety performance for Sydney Metro's principal contractors

Measure	2018-19	2019-20
Number of Significant Incidents reported*	193	93
Lost Time Injuries due to workplace-related injury or illness	13	10
Prosecutions reported	0	0

*Note: Number includes events resulting in actual significant consequence as well as incidents with potential for Significant Incidents.

The health and safety performance of Sydney Metro and our delivery partners is monitored by the Sydney Metro Board. The Board is briefed monthly on health and safety performance, and also receives more detailed reviews on topics including significant incidents that may have occurred across our projects and Sydney Metro's wellbeing program.



A Metro North West station staff member helps a customer with wayfinding information.

Initiatives

During 2019–20, the Sydney Metro Health and Safety team delivered the following initiatives to improve the health and safety of our people and delivery partners across our projects:

- development of our Health and Safety Model and messaging
- definition of our client model in health and safety to better inform decision making across the organisation
- identification of our health and safety initiatives for 2019-20 which included Leadership, Wellbeing, Silica, Critical Risks and Heavy Vehicle. Each of these initiatives had a detailed stream of work and executive sponsors to ensure positive outcomes were achieved
- launch of the Sydney Metro Wellbeing program
- improvements to the audit program and function for 2019-20
- external recognition through industry awards (Australian Institute of Health & Safety, SafeWork NSW and Australian Construction Association)
- achievement of the International Standard for Occupational Health and Safety Management (ISO 45001) certification.

Further improvements to health and safety performance

Sydney Metro has initiated work on a strategic long-term vision for health and safety across our projects, and more broadly, the positive impact we can have as a major infrastructure client across the construction sector. This vision will underpin the work of the health and safety team over the next five years.

6.3 Research and development

There were no research and development activities undertaken by Sydney Metro in 2019-20.

6.4 Access to Government information

Government Information (Public Access) Act 2009

Under Section 7 of the *Government Information (Public Access) Act 2009* (GIPA Act), agencies must review their programs for the release of government information to identify the kinds of information that can be made publicly available. This review must be undertaken at least once annually.

Sydney Metro makes a range of information available on our website about our operations including:

- details of Sydney Metro projects and progress
- construction information for stations and other infrastructure
- information about planning for future Sydney Metro projects
- education resources and updates with a focus on information for primary and secondary school teachers and students
- a document library for access to publications, reports, media releases and planning documents concerning Sydney Metro
- interactive maps, images and video content.

Requests for access applications

During the reporting period, Sydney Metro received a total of 32 access applications (including withdrawn applications but not invalid applications).

Of the total number of access applications received, Sydney Metro refused five applications because the information requested was information referred to in Schedule 1 to the GIPA Act.

Table A: Number of applications by type of applicant and outcome, 2019-20*

Type of applicant	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Media	2	0	0	5	0	0	0	0
Members of Parliament	0	0	0	0	0	0	0	0
Private sector business	3	1	0	0	0	0	0	0
Not-for-profit organisations or community groups	0	0	0	0	0	3	0	0
Members of the public (application by legal representative)	1	0	0	0	0	0	0	0
Members of the public (other)	5	3	2	5	1	1	0	0

* More than one decision can be made in respect to a particular access application. If so, a recording must be made in relation to each decision.

Table B: Number of applications by type of application and outcome, 2019-20

Type of information requested	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Personal information applications**	0	0	0	0	0	0	0	0
Access applications (other than personal information applications)	11	4	2	10	1	4	0	0
Access applications that are partly personal information applications and partly other	0	0	0	0	0	0	0	0

* More than one decision can be made in respect of a particular access application. If so a recording must be made in relation to each such decision.

**A personal information application is an access application for personal information (as defined in clause 4 Schedule 4 to the GIPA Act) about the applicant (the applicant being an individual).

Table C: Invalid applications, 2019-20

Reason for invalidity*	Number of applications
Application does not comply with formal requirements (section 41 of the GIPA Act)	5
Application is for excluded information of the agency (section 43 of the GIPA Act)	0
Application contravenes restraint order (section 110 of the GIPA Act)	0
Total number of invalid applications received	5
Invalid applications that subsequently became valid applications	4

Table D: Conclusive presumptions of overriding public interest against disclosures: matters listed in Schedule 1 of the GIPA Act, 2019-20

Consideration category/type	Number of times consideration used
Overriding secrecy laws	0
Cabinet information	3
Executive Council information	0
Contempt	0
Legal professional privilege	0
Excluded information	0
Documents affecting law enforcement and public safety	0
Transport safety	0
Adoption	0
Care and protection of children	0
Ministerial code of conduct	0
Aboriginal and environmental heritage	0
Information about complaints to Judicial Commission	0
Information about authorised transactions under <i>Electricity Network Assets (Authorised Transactions) Act 2015</i>	0
Information about authorised transaction under <i>Land and Property Information NSW (Authorised Transaction) Act 2016</i>	0

More than one public interest consideration may apply in relation to a particular access application and, if so, each consideration is to be recorded (but only once per application).

Table E: Other public interest consideration against disclosure: matters listed in table to section 14 of the GIPA Act, 2019-20

Consideration category/type	Number of occasions when application not successful
Responsible and effective government	2
Law enforcement and security	1
Individual rights, judicial processes and natural justice	2
Business interests of agencies and other persons	3
Environment, culture, economy and general matters	0
Secrecy provisions	0
Exempt documents under interstate Freedom of Information legislation	0

More than one public interest consideration may apply in relation to a particular access application and, if so, each consideration is to be recorded (but only once per application).

Table F: Timeliness of decision, 2019-20

Timeliness of decision	Number of applications
Decided within the statutory timeframe (20 days plus any extensions)	25
Decided after 35 days (by agreement with applicant)	2
Not decided within time (deemed refusal)	0
Total	27

Table G: Number of applications reviewed under Part 5 of the GIPA Act (by type or review and outcome), 2019-20

Type of review	Decisions varied	Decisions upheld	Total
Internal review	1	2	3
Review by Information Commissioner	3	3	6
Internal review following recommendation under section 93 of the GIPA Act	0	1	1
Review by NSW Civil and Administrative Tribunal	0	0	0
Total	4	6	10

The Information Commissioner does not have the authority to vary decisions, but can make recommendations to the original decision maker. The data in this case indicates that a recommendation to vary or uphold the original decision has been made.

Table H: Applications for review under Part 5 of the Act (by type of applicant), 2019-20

Type of applicant	Number of applications for review
Applications by access applicants	9
Applications by persons to whom information on the subject of access application relates (see section 54 of the GIPA Act)	1

Table I: Applications transferred to other agencies under Division 2 of Part 4 of the GIPA Act (by type of transfer), 2019-20

Type of transfer	Number of applications transferred
Agency-initiated transfer	0
Applicant-initiated transfer	0

6.5 Overseas travel

Overseas visits by employees and officers

There was no overseas travel undertaken in 2019-20.

6.6 Legal change

Significant judicial decisions affecting Sydney Metro, 2019-20

Barkat v Roads and Maritime Services [2019] NSWCA 240

Decision of the Court of Appeal on 11 October 2019, on appeal from the Land and Environment Court (*Barkat v Roads and Maritime Services* [2018] NSWLEC 209).

The proceedings related to a claim of compensation following the acquisition of land for the WestConnex M4 East Project. The appellants argued regard should have been given to the potential that the acquired land may have been rezoned to allow denser development as a result of the draft Parramatta Road Urban transformation Strategy (PRUTS).

The Court of Appeal dismissed the appeal, finding the evidence demonstrated that the likelihood and timing of any future rezoning was uncertain, that the acquisition of the land was intrinsically connected to the draft PRUTS, and that where there is a direct relationship between potential rezoning and the public purpose, the effect on market value must be ignored.

Apokis v Transport for NSW [2020] NSWCA 39

Decision of the Court of Appeal on 13 March 2020, on appeal from the Land and Environment Court (*Apokis v Roads and Maritime Services* [2017] NSWLEC 163).

The proceedings related to a claim of compensation following the acquisition of land for the Pacific Highway upgrade project. The appellant argued regard should have been given to lost royalties for the resource excavated from the acquired land and used in the construction of the highway.

The Court of Appeal dismissed the appeal, finding the primary judge was correct to disregard any increase in the value of the property resulting from the carrying out of the public purpose, as there was no market for the resource on the land without the project. Additionally, the Court held that the value which could have been extracted from the continued ownership of the land was not a loss due to disturbance as it did not relate to the actual use of land by the former owner.

G Capital Corporation Pty Ltd v Roads and Maritime Services [2019] NSWCA 234

Decision of the Court of Appeal on 24 September 2019, on from the Land and Environment Court (*G Capital Corporation Pty Ltd v Roads and Maritime Services* [2019] NSWLEC 12).

The proceedings related to a claim of compensation following the acquisition of three properties for the WestConnex Stage 3 M4/M5 Link project, which were the subject of contracts for sale with extended settlement periods.

The appellants claimed, in part, that the market value on the date of acquisition was not relevant, but instead the market value was the unpaid purchase price due under the contracts for sale.

The Court of Appeal dismissed the claim, and found that there was no “actual use of land” by the appellants that would entitle them to any compensation for disturbance because, in leasing the land and receiving rental income, the former owners had given exclusive rights of occupation to the tenants and therefore they did not themselves occupy the land nor conduct any business activities on or from it.

UTSG Pty Ltd v Sydney Metro (No 6) [2020] NSWLEC 63

Decision of the Land and Environment Court on 29 May 2020, following an appeal of the Valuer-General’s determination of compensation for a leasehold interest compulsorily acquired by Sydney Metro (then Transport for NSW) for the Sydney Metro City & Southwest project.

The Court accepted Sydney Metro’s submissions, finding that the appellant’s evidence to substantiate its \$45.7 million claim for business relocation and loss of future profits was not verifiable nor reliable, and was “replete with inconsistencies and untruths”.

The Court found in favour of Sydney Metro, ordering that no further compensation was payable by Sydney Metro for the acquisition, and ordering the appellant and its director to pay Sydney Metro’s costs and unpaid rent for the period it stayed in occupation after the acquisition.

Acts and subordinate legislation affecting Sydney Metro

Government Sector Employment Act 2013

- Government Sector Employment (General) Rules 2014
 - Government Sector Employment Regulation 2014
 - Government Sector Employment (Transport Service Senior Executives) Rules 2017
-

Government Sector Finance Act 2018

- Government Sector Finance Regulation 2018
-

Heavy Vehicle (Adoption of National Law) Act 2013

- Heavy Vehicle (Adoption of National Law) Regulation 2013
-

Heavy Vehicle National Law (NSW)

- Heavy Vehicle (Fatigue Management) National Regulation (NSW)
 - Heavy Vehicle (General) National Regulation (NSW)
 - Heavy Vehicle (Mass, Dimension and Loading) National Regulation (NSW)
 - Heavy Vehicle (Registration) National Regulation (NSW)
 - Heavy Vehicle (Transitional) National Regulation (NSW) (expired 01.07.2018)
 - Heavy Vehicle (Vehicle Standards) National Regulation (NSW)
-

Passenger Transport Act 1990

- Passenger Transport (Drug and Alcohol Testing) Regulation 2010
 - Passenger Transport (General) Regulation 2017
-

Passenger Transport Act 2014

- Passenger Transport Regulation 2014
-

Rail Safety (Adoption of National Law) Act 2012

- Rail Safety (Adoption of National Law) Regulation 2018
-

Rail Safety National Law (NSW)

- Rail Safety National Law National Regulations 2012 (South Australian Regulations adopted for NSW under the Rail Safety National Law (NSW))
-

Transport Administration Act 1988

- Transport Administration (General) Regulation 2018
 - Transport Administration (Staff) Regulation 2012
-

Transport Administration Amendment (RMS Dissolution) Act 2019

New Acts and amendments to Acts assented to or commenced during 2019-20

Rail Safety National Law (South Australia) (Miscellaneous) Amendment Act 2019 (South Australia Act No 4 of 2019)

(This South Australian Act amends the *Rail Safety National Law* as set out in the Schedule to the *Rail Safety National Law (South Australia) Act 2012* (SA) which, as amended from time to time, is adopted by the *Rail Safety (Adoption of National Law) Act 2012* (NSW).

(Assent 11.04.2019; commenced on 01.07.2019 - Commencement Proclamation South Australian Government Gazette No 26 of 06.06.2019 p 1754)

Statute Law (Miscellaneous Provisions) Act 2019 (Act 2019 No 1)

(Assent 17.06.2019; relevant parts (Sch.1.11 & 1.16) commenced on 01.07.2019))

Statute Law (Miscellaneous Provisions) Act (No 2) 2019 (Act 2019 No 14)

(Assent 21.11.2019; relevant parts of Schedule 1 (Schedule 1.15 Passenger Transport Act 2014 No 46; Schedule 1.20 Road Transport Act 2013 No 18; Schedule 1.25 Transport Administration Act 1988 No 109) commenced on date of assent; relevant parts of Schedule 2 (Schedule 2.20 Rail Safety National Law (NSW)) commenced 14 days after the date of assent) (Assent 21.11.2019; relevant parts of Schedule 1 (Schedule 1.15 Passenger Transport Act 2014 No 46; Schedule 1.20 Road Transport Act 2013 No 18; Schedule 1.25 Transport Administration Act 1988 No 109) commenced on date of assent; relevant parts of Schedule 2 (Schedule 2.20 Rail Safety National Law (NSW)) commenced 14 days after the date of assent)

Transport Administration Amendment (Transport Entities) Act 2017 (Act 2017 No 12)

(Assent 11.04.2017; un-commenced provisions (mainly re Transport Asset Holding Entity of New South Wales) commenced 01.07.2020 (Commencement Proclamation 2020 No 254 published NSW legislation website 12.06.2020))

New subordinate legislation and amendments to subordinate legislation made or commenced during 2019-20

Heavy Vehicle (Adoption of National Law) Amendment (Penalties) Regulation 2019 (2019 No 258)

(Published NSW legislation website 21.06.2019; commenced on 01.07.2019)

Rail Safety National Law National Regulations (Fees) Variation Regulations 2019 (2019 No 262)

(South Australian Regulations applicable to NSW; published NSW Legislation website 21.06.2019; commenced on 01.07.2019)

Rail Safety National Law National Regulations Variation Regulations 2019 (2019 No 263)

(South Australian Regulations applicable to NSW; published NSW Legislation website 21.06.2019; commenced on 01.07.2019)

Rail Safety National Law National Regulations (Application of Law) Variation Regulations 2019 (2019 No 539)

(South Australian Regulation; published NSW Legislation website 08.11.2019; commenced on commencement of section 118 of the *Rail Safety Legislation Amendment (National Services Delivery and Related Reforms) Act 2019* (Victoria), or the date the regulations are made, whichever occurs later - 02.12.2019)

Heavy Vehicle National Amendment Regulation 2019 (2019 No 583)

(Queensland Regulation; published NSW Legislation website 29.11.2019; commenced on 10.12.2019)

Heavy Vehicle (Adoption of National Law) Amendment (Penalties) Regulation 2020 (2020 No 41)

(Published NSW Legislation website 14.02.2020; commenced on commencement of Part 3 of the Heavy Vehicle National Law and Other Legislation Amendment Act 2019 (Queensland) - Commencement Proclamation 2020 No 18 notified on the Queensland legislation website 21.02.2020 - commenced 28.02.2020)

Heavy Vehicle National Legislation Amendment Regulation 2020 (2020 No 61)

(Queensland Regulation; published NSW Legislation website 21.02.2020; commenced on 28.02.2020)

Rail Safety (Adoption of National Law) Amendment (Drug and Alcohol Testing) Regulation 2019 (2020 No 89)

(Published NSW Legislation website 13.03.2020; commenced on day published)

Heavy Vehicle (Adoption of National Law) Amendment (Penalties) Regulation (No 2) 2020 (2020 No 278)

(Published NSW legislation website 19.06.2020; commenced on 01.07.2020)

Rail Safety National Law National Regulations (Fees and Other Measures) Variation Regulations 2020 (2020 No 322)

(South Australian Regulations applicable to NSW; published NSW Legislation website 26.06.2020; commenced on 01.07.2020)

Disclosure of controlled entities

Sydney Metro had no controlled entities as at 30 June 2020.

Disclosure of subsidiaries

Sydney Metro had no subsidiaries as at 30 June 2020.

6.7 Payment to consultants

Consultants engaged, 2019-20

Consultant	Category	Project	Actual cost (2019-20)	Total contract cost	Total no. engagements
Paul Richard Gilbertson	Strategic Advisory Services	Office of the Chief Executive	\$19,425	\$147,788	
Synergy Management Services Pty Ltd	Strategic Advisory Services	Office of the Chief Executive	\$3,300	\$390,205	
John Yates	Strategic Advisory Services	Office of the Chief Executive	\$48,400	\$48,400	1

Sydney Metro discloses the engagement of all professional services over \$150,000, on the NSW Government e-Tendering website.



Contracts are signed at the offices of Ashurst lawyers in Martin Place, creating a public, private partnership for the Operations Trains and Systems of the Sydney Metro City & Southwest.

6.8 Public interest disclosures

No public interest disclosures were made to Sydney Metro in 2019-20.

In compliance with section 6D(1) of the *Public Interest Disclosures Act 1994*, Sydney Metro has a policy that sets out its procedures for receiving, assessing and dealing with public interest disclosures.

Actions taken to ensure staff awareness of responsibilities under section 6E(1)(b) of the Act have been met including:

- the Sydney Metro Public Interest Disclosure Procedure, list of Nominated Disclosure Officers and Transport Code of Conduct are published on the Sydney Metro intranet
- training has been conducted for Nominated Disclosure Officers
- a fraud and corruption e-learning module (mandatory for all new starters) provides information on public interest disclosures.

6.9 Privacy Management Plan

Privacy and Personal Information Protection Act 1998

In compliance with section 33 of the *Privacy and Personal Information Protection Act 1998* (PPIP Act), Sydney Metro has a Privacy Management Plan which includes information about:

- (a) the devising of policies and practices to ensure compliance with the requirements of the PPIP Act and the *Health Records and Information Privacy Act 2002*
- (b) the dissemination of those policies and practices to persons within Sydney Metro
- (c) the procedures that Sydney Metro applies in relation to internal review under Part 5 of the PPIP Act.

The plan is available on our website **sydneymetro.info/privacy-policy**

Questions, compliments or complaints about the management of personal and health information should be directed to the Privacy Officer at Transport for NSW, who will direct the inquiry to Sydney Metro.

Post The Privacy Officer
Information and Privacy Unit
Transport for NSW
PO Box K659
Haymarket NSW 1240

P 02 8202 3768

E privacy@transport.nsw.gov.au

During 2019-20, Sydney Metro received one application for internal review under Part 5 of PPIP Act. The internal review determined that Sydney Metro had not breached any of the information protection principles in the PPIP Act and that Sydney Metro would take no further action on the matter.

6.10 Multicultural policies and services

Multicultural policies and services program

Sydney Metro is aligned to the Transport for NSW Multicultural Plan 2019-2020 (the Multicultural Plan), which outlines the Transport cluster strategies and commitment to strengthening transport services for culturally and linguistically diverse communities. It aligns with State and national priorities which ensure multiculturalism in NSW is more than a policy - it is an agile and actionable plan with clearly defined outcomes.

Each division and agency in the Transport cluster is responsible and accountable for the 13 specific actions set out in the Multicultural Plan in alignment with Future Transport 2056.

Sydney Metro remained focused on the actions to be delivered as part of the Multicultural Plan throughout the COVID-19 pandemic. No actions were deferred to ensure we responded to the needs of Culturally and Linguistically Diverse (CALD) communities and to support women from CALD backgrounds in leadership positions.

In 2019-20, Sydney Metro implemented a reporting framework in accordance with this plan, in addition to addressing actions contained within it through various programs and initiatives. Those programs and initiatives have included:

- acknowledgement and promotion of cultural events
- promotion of unconscious bias training
- promotion and access to the Language Service Guidelines issued by Multicultural NSW via the diversity and inclusion intranet page.

Sydney Metro will ensure that the Transport for NSW Multicultural Plan continues to be a key focus, and is committed to the activities that relate to this plan to enable its success.

Agreements with Multicultural NSW

Sydney Metro does not have any agreements with Multicultural NSW.

6.11 Disability Inclusion Action Plan

The *Disability Inclusion Act 2014* requires all government departments to develop Disability Inclusion Action Plans. Sydney Metro is aligned with the Transport for NSW Disability Inclusion Action Plan, which outlines practical measures to be taken across the Transport cluster to meet the objectives and principles of the Disability Inclusion Act. These measures will also assist Transport for NSW to meet its obligations under the Transport Standards.

Other than compliance with legislation, the plan is guided by the social model of disability, outlined in the United Nations Convention on the Rights of Persons with Disabilities. The social model views people with disability as not being disabled by their impairment but by the barriers in the community that prevent them gaining equal access to information, services, transport, housing, education, training, employment and social opportunities.

Within the Transport cluster each division and agency is accountable for the 137 specific actions set out in the Disability Inclusion Action Plan 2018-2022 in alignment with Future Transport 2056.

In 2019-20, Sydney Metro implemented a reporting framework in accordance with this plan in addition to addressing actions contained within it through various programs and initiatives, including:

- acknowledgement and promotion of significant dates
- promotion of the Public Service Commission Disability Awareness training
- promotion and access to tools and resources via the diversity and inclusion intranet page that support this plan.

Sydney Metro will ensure that the Transport for NSW Disability Inclusion Action Plan continues to be a key focus and is committed to the activities that relate to this plan to enable its success.

6.12 Land disposal

Sydney Metro acquires and holds properties to construct major projects in accordance with our functions under the *Transport Administration Act 1988*. After completing projects, subject to land not being required for operational purposes, the assets are either transferred to other government agencies for approved functions or divested in accordance with government guidelines.

There were no sales of property with a value of greater than \$5 million during 2019-20 that were not sold by public auction or tender.

The following residual land disposal transactions were undertaken during 2019-20:

- Tallawong South – Deicorp Projects Tallawong Station Pty Ltd (Put and Call Option)
- Hills Showground – Deicorp Projects Showground Pty Ltd (Put and Call Option).



Commuters travelling from Hills Showground Station, on Sydney Metro's North West Line.

6.13 Accounts payments and grants

Outstanding invoices by age at the end of each quarter, 2019-20

Measure	Financial year 2019-20 quarter average	Q1	Q2	Q3	Q4
Suppliers					
Current (i.e. within due date)	14.91 M	21.95 M	10.04 M	16.60 M	11.07 M
Less than 30 days overdue	3.45 M	0.47 M	0.46 M	10.05 M	2.82 M
Between 30 and 60 days overdue	-0.75 M	0.02 M	0.18 M	-4.69 M	1.48 M
Between 60 and 90 days overdue	0.37 M	-0.05 M	0.00 M	0.00 M	1.55 M
More than 90 days overdue	0.47 M	0.15 M	0.02 M	0.00 M	1.70 M
Small business suppliers					
Current (i.e. within due date)	0.15 M	0.22 M	0.05 M	0.03 M	0.30 M
Less than 30 days overdue	0.00 M	0.00 M	0.00 M	0.00 M	0.00 M
Between 30 and 60 days overdue	0.00 M	0.00 M	0.00 M	0.00 M	0.00 M
Between 60 and 90 days overdue	0.00 M	0.00 M	0.00 M	0.00 M	0.00 M
More than 90 days overdue	0.00 M	0.00 M	0.00 M	0.00 M	0.00 M

Note: negative figures represent timing differences in the billing cycle that are expected to be corrected in the following period.

Accounts paid on time within each quarter, 2019-20

Measure	Financial year 2019-20	Q1	Q2	Q3	Q4
Suppliers					
Number of accounts due for payment	8,435	2,537	1,888	1,691	2,319
Number of accounts paid on time	8,387	2,529	1,874	1,673	2,311
Target % accounts paid on time	90.00%	90.00%	90.00%	90.00%	90.00%
Actual % accounts paid on time	99.43%	99.68%	99.26%	98.94%	99.66%
\$ amount of accounts due for payment	3,457.74 M	1,027.18 M	819.32 M	702.90 M	908.34 M
\$ amount of accounts paid on time	3,341.72 M	1,026.59 M	815.68 M	603.68 M	895.78 M
Actual % accounts paid on time (based on \$)	96.64%	99.94%	99.56%	85.88%	98.62%
Number of payments for interest	-	-	-	-	-
Interest paid on overdue accounts	-	-	-	-	-
Small business suppliers					
Number of accounts due for payment	641	209	130	122	180
Number of accounts paid on time	638	207	129	122	180
Actual % accounts paid on time	99.53%	99.04%	99.23%	100.00%	100.00%
\$ amount of accounts due for payment	13.14 M	4.49 M	2.71 M	2.05 M	3.89 M
\$ amount of accounts paid on time	13.11 M	4.50 M	2.67 M	2.05 M	3.89 M
Actual % accounts paid on time (based on \$)	99.78%	100.33%	98.38%	100.00%	100.00%
Number of payments for interest	-	-	-	-	-
Interest paid on overdue accounts	-	-	-	-	-

The total external costs incurred in the production of this report are \$1402.50.

Funds granted to non-government community organisations

No funds were granted to non-government community organisations in 2019-20.

Economic or other factors

Following approval of the Final Business Cases for Sydney Metro West and Sydney Metro - Western Sydney Airport, Sydney Metro has a significant pipeline of capital works to deliver to achieve our operational objectives.

The impact of the COVID-19 pandemic on the Australian construction industry is a critical economic factor impacting Sydney Metro. The NSW Government is committed to infrastructure projects like Sydney Metro as a key focus for economic recovery from COVID-19. Sydney Metro is working in conjunction with the NSW Government, NSW Treasury and our delivery partners to ensure the impacts and risks within our supply chain are closely monitored and appropriately mitigated. Construction productivity, offshore material supply, labour and workforce input risks are all being closely monitored.

Implementation of price determination

Sydney Metro's fare and pricing regimes and matters, as associated with the Independent Pricing and Regulatory Tribunal (IPART), are reserved for implementation and policy via Transport for NSW.

IPART is responsible for determining maximum fares for trips made across all Opal Services excluding Gold Opal, Child Opal, Concession Opal and travel on the School Student Travel Scheme. Sydney Metro commenced revenue service on 27 May 2019, and adopted the July 2018-19 Changes to Opal fares as per the IPART compliance statement.

Investment performance

Not applicable to Sydney Metro.

Liability management performance

Not applicable to Sydney Metro.



Appendix A - Financial Statements







INDEPENDENT AUDITOR'S REPORT

Sydney Metro

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Sydney Metro, which comprises 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 Metro 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 Metro 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 Metro'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 members of the Board of Sydney Metro are 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 Board.

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 Board's Responsibilities for the Financial Statements

The members of the Board are 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 members of the Board determine 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 members of the Board are responsible for assessing Sydney Metro'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. The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

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

A handwritten signature in black ink, appearing to read 'Somaiya', written in a cursive style.

Somaiya Ahmed
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

28 September 2020
SYDNEY

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Sydney Metro
Statement by the Board
for the year ended 30 June 2020

Pursuant to sections 41C (1B) and (1C) of the *Public Finance and Audit Act 1983* ('the Act'), on behalf of the Board we 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* and the *Public Finance and Audit Regulation 2015*; and
 - The Treasurer's Directions issued under section 9(2)(n) of the Act;
- (b) The statements exhibit a true and fair view of the financial position of Sydney Metro as at 30 June 2020, and of its financial performance 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.



John Arthur
Chairman

Date: 24 September 2020



Gail Pemberton
Director

Date: 24 September 2020

Sydney Metro

Statement of comprehensive income

for the year ended 30 June 2020

		Budget	Actual	Restated
		2020	2020	2019
	Notes	\$'000	\$'000	\$'000
Expenses excluding losses				
Operating expenses				
Personnel service expenses	2(a)	3,849	14,126	8,952
Other operating expenses	2(b)	447,891	76,663	70,725
Major rail project expense	2(c)	-	235,908	205,097
Depreciation and amortisation	2(d)	161,323	218,798	39,314
Grants and subsidies	2(g)	-	11,759	332,206
Finance costs	2(e)	126,587	122,372	22,038
Other expenses	2(f)	130,075	78,966	59,199
Total expenses excluding losses		869,725	758,592	737,531
Revenue				
Sale of goods and services	3(a)	-	-	38,817
Sale of goods and services from contracts with customers	3(a)	557,824	22,048	-
Investment revenue	3(b)	-	37,451	38,366
Grants and contributions	3(c)	1,693,797	2,646,899	2,690,580
Major rail project revenue	3(d)	-	235,908	205,097
Resources received free of charge	3(e)	-	2,284	1,844
Other revenue	3(f)	-	-	3,820
Total revenue		2,251,621	2,944,590	2,978,524
Gain/(loss) on disposal	4	20,488	(37,347)	(258,277)
Other gains/(losses)	5	-	62,493	3,895
Net result		1,402,384	2,211,144	1,986,611
Other comprehensive income				
<i>Items that may be reclassified subsequently to net result</i>				
Net gains/(losses) in commodity swaps and foreign exchange		-	(7,379)	18,442
<i>Items that will not be reclassified to net result</i>				
Net increase/(decrease) in asset revaluation surplus	13	-	205,456	644,684
Total other comprehensive income		-	198,077	663,126
Total comprehensive income		1,402,384	2,409,221	2,649,737

The accompanying Notes form part of these financial statements.

Refer Note 31 for details regarding restated prior year balances.

Sydney Metro

Statement of financial position

as at 30 June 2020

	Notes	Budget 2020 \$'000	Actual 2020 \$'000	Restated 2019 \$'000
ASSETS				
Current assets				
Cash and cash equivalents	7	73,569	285,448	190,807
Receivables	8	145,265	127,461	240,075
Financial assets at fair value	10	-	-	1,970
Non-current assets held for sale	12	-	15,565	15,565
Other financial assets	11	-	3,963	-
Total current assets		218,834	432,437	448,417
Non-current assets				
Receivables	8	-	1,128,259	730,202
Financial assets at fair value	10	-	-	18,863
Property plant and equipment				
Land and buildings	13	22,748	528,412	544,517
Plant and equipment	13	-	665,543	672,354
Infrastructure systems	13	16,860,644	15,204,974	13,452,030
Property, plant and equipment	13	16,883,392	16,398,929	14,668,901
Right of use asset	14	-	25,322	-
Other assets	15	-	157,658	-
Total non-current assets		16,883,392	17,710,168	15,417,966
Total assets		17,102,226	18,142,605	15,866,383
LIABILITIES				
Current liabilities				
Payables	17	337,099	255,591	412,179
Borrowings	18	9,073	809,904	77,288
Provisions	19	-	33,770	350
Other liabilities	20	-	7,180	-
Contract liabilities	9	-	93	-
Total current liabilities		346,172	1,106,538	489,817
Non-current liabilities				
Borrowings	18	1,693,180	932,550	1,756,342
Provisions	19	-	20,033	15,795
Contract liabilities	9	-	20,000	-
Other liabilities	20	74,690	2,866	625
Total non-current liabilities		1,767,870	975,449	1,772,762
Total liabilities		2,114,042	2,081,987	2,262,579
Net assets		14,988,184	16,060,618	13,603,804
EQUITY				
Accumulated funds		14,988,184	15,200,266	12,940,678
Reserves		-	860,352	663,126
Total equity		14,988,184	16,060,618	13,603,804

The accompanying Notes form part of these financial statements.

Refer to Note 31 for details regarding restated prior year balances.

Sydney Metro

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
Balance at 1 July 2019		12,933,265	644,684	18,442	13,596,391
Correction of errors		7,413	-	-	7,413
Restated balance at 1 July 2019		12,940,678	644,684	18,442	13,603,804
Net result for the year		2,211,144	-	-	2,211,144
Other comprehensive income					
Net gains/(losses) in foreign exchange		-	-	(7,379)	(7,379)
Net increase/(decrease) in asset revaluation surplus		-	205,456	-	205,456
Total other comprehensive income		-	205,456	(7,379)	198,077
Total comprehensive income for the year		2,211,144	205,456	(7,379)	2,409,221
Transactions with owners in their capacity as owners					
Transfers to/from reserves to accumulated funds		851	(851)	-	-
Equity transfers	24	47,593	-	-	47,593
Balance at 30 June 2020		15,200,266	849,289	11,063	16,060,618
Balance at 1 July 2018		-	-	-	-
Restated net result for the year		1,986,611	-	-	1,986,611
Other comprehensive income					
Net gains/(losses) in foreign exchange		-	-	18,442	18,442
Net increase/(decrease) in asset revaluation surplus		-	644,684	-	644,684
Total other comprehensive income		-	644,684	18,442	663,126
Restated total comprehensive income for the year		1,986,611	644,684	18,442	2,649,737
Transactions with owners in their capacity as owners					
Restated equity transfers	24	4,626,482	-	-	4,626,482
Increase/(decrease) in net assets from administrative restructure	27	6,327,585	-	-	6,327,585
Restated balance at 30 June 2019		12,940,678	644,684	18,442	13,603,804

The accompanying Notes form part of these financial statements.

Refer Note 31 for details regarding restated prior year balances.

Sydney Metro

Statement of cash flows

for the year ended 30 June 2020

	Notes	Budget 2020 \$'000	Actual 2020 \$'000	Actual 2019 \$'000
Cash flows from operating activities				
Payments				
Personnel services		(3,849)	(11,807)	(9,276)
Finance costs		(126,587)	(122,372)	(10,265)
Service contract payments		-	(78,966)	(59,199)
Payments to suppliers		-	(387,300)	(351,255)
Other		(577,966)	(291,708)	(259,152)
Total payments		(708,402)	(892,153)	(689,147)
Receipts				
Sale of goods and services		507,947	332,582	306,304
Interest received		-	5,779	4,299
Grants and contributions		1,693,797	2,666,098	2,690,580
Other		49,877	313,080	243,218
Total receipts		2,251,621	3,317,539	3,244,401
Net cash flows from operating activities	21	1,543,219	2,425,386	2,555,254
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment		20,488	68,776	20,988
Purchases of property, plant and equipment and intangible assets		(1,495,915)	(2,351,623)	(2,381,574)
Proceeds from sale of financial assets		-	17,431	-
Other		-	5,483	-
Net cash flows from investing activities		(1,475,427)	(2,259,933)	(2,360,586)
Cash flows from financing activities				
Repayment of borrowings and advances		(79,224)	(64,063)	(3,861)
Payment of principal portion of lease liabilities		-	(6,749)	-
Net cash flows from financing activities		(79,224)	(70,812)	(3,861)
Net increase/(decrease) in cash		(11,431)	94,641	190,807
Opening cash and cash equivalents		85,000	190,807	-
Closing cash and cash equivalents	7	73,569	285,448	190,807

The accompanying Notes form part of these financial statements.

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2020

1. Summary of significant accounting policies

(a) Sydney Metro - Reporting entity

Sydney Metro is a statutory corporation established on 1 July 2018 under the *Transport Administration Act 1988*. Sydney Metro is a statutory authority for the purposes of the *Public Finance and Audit Act 1983*.

Sydney Metro is a not-for-profit entity for accounting purposes (as profit is not its principal objective) and it has no cash generating units. The principal objectives of Sydney Metro are to:

- a) deliver safe and reliable metro passenger services in an efficient, effective and financially responsible manner; and
- b) facilitate and carry out the orderly and efficient development of land in the locality of metro stations, depots and stabling yards, and proposed metro stations, depots and stabling yards.

Sydney Metro 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).

The financial statements of Sydney Metro (the Entity) for the year ended 30 June 2020 were authorised for issue by the Board 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
- NSW Treasurer's Directions issued under the Act.

Property, plant and equipment, investment property, assets (or disposal groups) held for sale and certain financial assets and liabilities are measured at fair value. Other financial statement 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, which is the Entity's presentation and functional currency.

(c) Critical accounting estimates, judgement and assumptions

In the application of Australian Accounting Standards and the Directions issued by the NSW Treasurer, 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.

Judgements, key assumptions and estimates management have 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.

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2020

1. Summary of significant accounting policies (continued)

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

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

- the amount of GST incurred by the 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 are 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 the 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 treated 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 are also recognised in other comprehensive income or net results, respectively).

(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 have been adjusted to reflect prior period adjustments. Refer Note 31.

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

(i) Effective for the first time in FY2019-20

The entity 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 the Entity.

AASB 15 Revenue from Contracts with Customers

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. Revenue is recognised when control of goods or services is transferred to the customer at amounts that reflect the consideration to which the Entity expects to be entitled in exchange for transferring the goods or services to the 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.

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2020

1. Summary of significant accounting policies (continued)

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

(i) Effective for the first time in FY2019-20 (continued)

AASB 15 Revenue from Contracts with Customers (continued)

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 applied all the transitional practical expedients permitted as mandated by NSW Treasury when:

- determining the transaction price
- identifying the satisfied and unsatisfied performance obligations
- 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 effect of adopting AASB 15 is as follows:

Impact on Statement of Comprehensive Income:

	30 June 2020 \$'000 Adoption of AASB 15	30 June 2020 \$'000 Without adoption of AASB 15	30 June 2020 \$'000 Impact of AASB 15
Revenue			
Sale of goods and services from contracts with customers	22,849	73,545	(50,696)
Expense			
Other expenses	78,966	109,569	(30,603)
Net result	2,200,372	2,220,465	(20,093)

Impact on Statement of Financial Position::

	30 June 2020 \$'000 Adoption of AASB 15	30 June 2020 \$'000 Without adoption of AASB 15	30 June 2020 \$'000 Impact of AASB 15
Liabilities			
Contract liabilities	(20,093)	-	(20,093)
Total adjustment to equity			
Accumulated funds	(20,093)	-	(20,093)

These adjustments mainly related to the recognition of passenger service revenue and fund received to make payments to external supplier, where sufficiently specific performance obligations have been identified. Revenue from passenger services is now not recognised by the Entity, instead is applied to offset the metro service expenses recognised by the Entity. Additionally, funds received relating to specific performance obligation that the 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.

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2020

1. Summary of significant accounting policies (continued)

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

(i) Effective for the first time in FY2019-20 (continued)

AASB 1058 Income of Not-for-Profit Entities

AASB 1058 *Income of Not-for-Profit Entities* (AASB 1058) replaces most of the existing requirements in AASB 1004 *Contributions* (AASB 1004). 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 and AASB 16) 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; and
- 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 effect of adopting AASB 1058 was not material to the Entity.

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2020

1. Summary of significant accounting policies (continued)

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

(i) Effective for the first time in FY2019-20 (continued)

AASB 16 Leases

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 the Entity is the lessor.

However, the Entity is required to treat sub-leases as either finance leases or operating leases for leases in which it is the intermediate lessor. The entity has reviewed the classification of sub-leases and identified that all sub-leases are back-to-back. Therefore, the Entity classifies these sub-leases as finance leases, resulting in the recognition of finance lease receivables as opposed to the right-of-use assets.

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, the 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.

The 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 rates applied to the lease liabilities on 1 July 2019 were as follows:

Lease term	Rate on 1 July 2019
For leases up to 5 years	1.42%
For leases > 5 years up to 10 years	2.00%
For leases > 10 years	2.42%

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 2020. 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.

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2020

1. Summary of significant accounting policies (continued)

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

(i) Effective for the first time in FY2019-20 (continued)

AASB 16 Leases (continued)

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 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 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 is as follows:

	\$'000
Assets	
Receivable	1,626
Right of use asset	16,815
Total assets	18,441
Liabilities	
Borrowings	18,441
Total liabilities	18,441
Equity	
Accumulated funds	-
	-

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2020

1. Summary of significant accounting policies (continued)

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

(i) Effective for the first time in FY2019-20 (continued)

AASB 16 Leases (continued)

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)	6,056
(Less): GST included in operating lease commitments	(551)
Operating lease commitments as at 30 June 2019 (GST excluded)	5,505
Weighted average incremental borrowing rate as at 1 July 2019	1.42%
Discounted operating lease commitments as at 1 July 2019	5,428
Add: commitments relating to leases previously classified as finance leases (GST excluded)	-
(Less): commitments relating to short-term leases	(754)
(Less): commitments relating to leases of low-value assets	(1)
Add/(less): contracts re-assessed as lease contracts	8,631
Add: Lease payments relating to renewal periods not included in operating lease commitments as at 30 June 2019	5,185
Add/(less): adjustments relating to changes in the index or rate affecting variable payments	(48)
Lease liabilities as at 1 July 2019	18,441

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 incremental borrowing rate as at 1 July 2019 was 1.42% derived for leases within 1 to 5 years. The entity applied practical expedient in respect of lease less than 12 months and low value asset lease below \$10,000. 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).

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2020

1. Summary of significant accounting policies (continued)

(h) 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.

AASB 1059 Service Concession Arrangements: Grantors

AASB 1059 *Service Concession Arrangements: Grantor* (AASB 1059) is effective for financial reporting periods commencing on or after 1 January 2020. Therefore, AASB 1059 will be effective from 1 July 2020 for the Entity. At the same time, NSW Treasury Policy and Guideline Paper TPP 06-8: *Accounting for Privately Financed Projects* (TPP 06-8) will also be withdrawn.

AASB 1059 addresses the accounting for a service concession arrangement from a grantor's perspective. Service concession arrangements (SCAs) are contracts between a grantor and an operator where an operator provides public services related to a service concession asset on behalf of a public sector grantor for a specified period of time and manages at least some of those services.

AASB 1059 requires the grantor to initially recognise a service concession asset, at current replacement cost, in a service concession arrangement where it controls the asset. A corresponding liability is also recognised depending on the nature of the consideration exchanged.

The Entity will adopt AASB 1059 retrospectively by recognising and measuring service concession assets and related liabilities, with any net adjustments to the amounts of assets and liabilities recognised in accumulated funds at the date of initial application of 1 July 2019.

Based on the preliminary assessment, the Entity estimates that the adoption of AASB 1059 will impact the transactions and balances recognised in its financial statements as follows:

- At the date of initial application, additional liabilities of \$658 million will be recognised, with a corresponding decrease in accumulated funds of \$658 million. This includes the reclassification of \$9.2 billion of existing property, plant and equipment as service concession assets; and
- For the period ended 30 June 2020, net result and total comprehensive result are expected to increase by \$443 million.

Based on the Entity's assessment, the Public Private Partnership contracts with Northwest Rapid Transit relating to Metro Northwest and City and Southwest fall in the scope of AASB 1059. The arrangements involve Northwest Rapid Transit (the operator) being responsible for the:

- design and construction of the Metro infrastructure assets controlled by the Entity; and
- operation and maintenance of the relevant Metro assets until May 2034 (service element).

In return the operator is compensated directly by the Entity.

The impact represents management's current best estimate and is still under review. It is possible that the amount recognised in the statement of financial position as at the date of initial application and the statement of comprehensive income for the period ending 30 June 2020 will differ from this estimate, as a result of further review of underlying service concession arrangement data and contractual arrangements.

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2020

1. Summary of significant accounting policies (continued)

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

(i) Issued but not yet effective

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

The impact of the following standards in the period of initial application are not expected to be significant.

Standard	Applicable to annual reporting periods beginning on or after
AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business	1 January 2020
AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material	1 January 2020
AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework	1 January 2020
AASB 2019-2 Amendments to Australian Accounting Standards – Implementation of AASB 1059	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 Entity.

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2020

2. Expenses excluding losses

(a) Personnel service expenses

	2020 \$'000	2019 \$'000
Salaries and wages (including annual leave)	9,209	5,561
Superannuation - defined benefit plans	83	38
Superannuation - defined contribution plans	947	577
Long service leave	2,298	1,511
Workers' compensation insurance	27	14
Payroll tax and fringe benefits tax	709	449
Redundancy payments	853	802
Personnel service expenses	14,126	8,952

In addition to the above, \$nil (2019: \$6.6 million) has been included in major rail project expenses and \$66.0 million (2019: \$47.4 million) has been capitalised in property, plant and equipment.

(b) Other operating expenses

	2020 \$'000	2019 \$'000
Auditor's remuneration - audit of financial statements	277	215
Advertising and marketing	3,071	4,799
Telecommunications	14	324
Electricity, gas and water	14,359	2,532
Fleet hire and leasing charges including access fees	23	-
General expenses	3,816	513
Information technology	108	124
Insurance	78	61
Legal services	1,108	534
Office expenses	78	508
Other contractors and consultants	47,236	55,968
Property rent and other related expenses ¹	3,495	3,373
Travel expenses	19	48
Shared service charges	2,981	1,726
Other operating expenses	76,663	70,725

¹ Property rent and other related expenses in 2020 includes expenses relating to short term and low value leases. Refer Note 14 for details.

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2020

2. Expenses excluding losses (continued)

(c) Major rail project expenses

	Note	2020 \$'000	2019 \$'000
Personnel related expenses		-	6,613
Skill hire contractors		-	5,783
Other contractors		235,888	186,184
Property acquisition		-	2,057
Legal services		20	2,046
Rent and other related expenses		-	1,010
Information technology and telecommunication expenses		-	325
Other		-	1,079
Major rail project expenses	3(d)	235,908	205,097

Gross amount due from/(to) RailCorp and billing to date are as follows:

Costs incurred	(235,908)	(205,097)
Billings to date	235,908	205,097
Gross amount due from RailCorp	-	-

(d) Depreciation and amortisation expense

	Notes	2020 \$'000	2019 \$'000
Infrastructure systems			
Rail systems		192,451	33,978
Buildings			
Buildings		60	-
Plant and equipment			
Rolling stock		18,655	3,257
Plant and equipment		7,516	2,079
Right of use		116	-
Depreciation	13,14	218,798	39,314

Refer Notes 13 and 14 for recognition and measurement policies on depreciation and amortisation.

Reconciliation to Note 14 - Depreciation of right-of-use assets

Depreciation of operational and property assets	6,536
Right of use depreciation capitalised to infrastructure	(6,420)
	116

Depreciation of right-of-use assets is capitalised to infrastructure assets to the extent the leases are directly attributable costs of the infrastructure asset. In 2020, the Entity changed the remaining useful lives of rail infrastructure assets, refer Note 13 for details.

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2020

2. Expenses excluding losses (continued)

(e) Finance costs

	2020 \$'000	2019 \$'000
Interest expense from financial liabilities not at fair value through profit and loss	121,765	22,006
Unwinding of discount on liabilities	383	32
Interest expense - lease liabilities	224	-
Finance costs	122,372	22,038

(f) Other expenses

	2020 \$'000	2019 \$'000
Bus replacement services	10,541	43,685
Metro service contract payments	68,425	15,514
Other expenses	78,966	59,199

As a result of applying AASB 15 Revenue from Contracts with Customers, Sydney Metro only contributes to the provision of passenger services and the private sector operator is considered the party that is providing passenger service for the purpose of recognising farebox revenue. Revenue from passenger services is now not recognised by the Entity from FY2019-20, instead it is applied to offset the metro service expenses. During FY2019-20, total farebox collected was \$30.6 million.

(g) Grants and subsidies

	2020 \$'000	Restated 2019 \$'000
Grants to external parties - transfer of assets	11,759	332,206
Grants and subsidies	11,759	332,206

Grants to external parties have been restated to be \$10.0 million higher in 2019. Refer Note 31 for details regarding restated prior year balance.

Recognition and measurement

(i) Personnel services expenses

Personnel services are provided by the Transport Service of New South Wales. Personnel service expenses include salaries, wages, leave entitlements, superannuation, workers' compensation insurance premium, payroll tax, fringe benefits tax and redundancies. Some personnel service expenses are included in the construction costs of property, plant and equipment assets and are, therefore, not included in personnel service expenses.

(ii) Other operating expenses

Other operating expenses generally represent the day-to-day running costs incurred in the normal operations of the Entity.

(iii) Insurance

The entity arranges insurance cover through the NSW Treasury Managed Fund Scheme, apart from Sydney Metro City and Southwest project cover, which is arranged through private insurance provider, and insurance for the Northwest operation is arranged separately and paid for by the private operator. The expense (premium) is determined by the fund manager based on past claims experience.

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2020

2. Expenses excluding losses (continued)

Recognition and measurement (continued)

(iv) Lease expenses

Operating leases (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.

Lease expenses (from 1 July 2019)

From 1 July 2019, the Entity recognises the lease payments associated with the following types of 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.

(v) Major rail project expenses

The entity manages the design and construction of certain major rail projects on behalf of RailCorp. RailCorp receives a direct equity injection from the Crown Entity to fund its contract activities with the Entity. Under this funding arrangement, RailCorp reimburses Sydney Metro for construction costs incurred. The arrangement is considered to be in the nature of construction contracts and is recognised in accordance with AASB 15 *Revenue from Contracts with Customers*. These expenses are recovered through major rail project revenue.

(vi) Maintenance

There is no maintenance cost included in personnel related expenses.

(vii) Finance costs

Finance costs comprise mainly interest charges and unwinding of discount of liabilities recorded at present value. 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 they are incurred.

(viii) Grants and subsidies

Grants and subsidies generally comprise contributions in cash or in kind to various local government authorities and other organisations. The contributions include transfers of assets for nil consideration. The grants and subsidies are expensed on the transfer of the cash or assets.

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2020

3. Revenue

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

Sale of goods and services from contracts with customers

	2020 \$'000	2019 \$'000
Passenger service revenue	-	-
Other	395	-
Recoupment of project costs	21,653	-
Total rendering of services	22,048	-

Sale of goods and services

	2020 \$'000	2019 \$'000
Passenger service revenue	-	3,486
Other	-	2,118
Recoupment of project costs	-	33,213
Total rendering of services	-	38,817

As a result of applying AASB 15 Revenue from contracts with customers, revenue from passenger services is now not recognised by the Entity from FY2019-20, instead it is applied to offset the metro service expenses (note 2(f)). During FY2019-20, total farebox collected was \$30.6 million.

(b) Investment revenue

	2020 \$'000	2019 \$'000
Rental Income	1,064	915
Interest income	36,371	37,451
Finance income on net investment in lease	16	-
Investment revenue	37,451	38,366

Interest income includes \$35.2 million (2019: \$35.3 million) unwinding of the discount of the present value of non-current receivables (refer to Note 8).

(c) Grants and contributions

	2020 \$'000	2019 \$'000
Grants from Transport for NSW	2,646,899	2,690,580
Grants and contributions	2,646,899	2,690,580

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2020

3. Revenue (continued)

(c) Grants and contributions (continued)

The Entity receives its grant funding from Transport for NSW which receives appropriations from the Consolidated Fund. Grant funding for each financial year are 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 is anticipated to be tabled in Parliament in November/December 2020. However, pursuant to section 4.10 of the *Government Sector Finance Act 2018* (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 Bill.

(d) Major rail project revenue

	Note	2020 \$'000	2019 \$'000
Major rail project revenue	2(c)	235,908	205,097
Major rail project revenue		235,908	205,097

(e) Resources received free of charge

Resources received free of charge represents acceptance by the Crown Entity of employee benefits and other liabilities.

	2020 \$'000	2019 \$'000
Personnel services - long service leave	2,218	1,795
Personnel services - superannuation - defined benefit	64	47
Personnel services - payroll tax	2	2
Resources received free of charge	2,284	1,844

(f) Other revenue

	2020 \$'000	Restated 2019 \$'000
Recognition of assets – asset transfers	-	3,820
Other income	-	3,820

Assets transferred and acquired by the Entity for nil or nominal considerations are recorded at fair value as at the transfer date. As such, they are recorded as revenue with a corresponding addition to property, plant and equipment (refer Note 13).

Other revenue has been restated to be \$3.8 million higher in 2019. Refer Note 31 for details regarding restated prior year balance.

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2020

3. Revenue (continued)

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* (AASB 15) or AASB 1058 *Income of Non-for-Profit Entities* (AASB 15), dependent on whether there is a contract with a customer defined by AASB 15.

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 the Entity and the income can be reliably measured. Comments regarding the accounting policies for the recognition of income are provided below.

(i) Sale of goods

Until 30 June 2019

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

(ii) Rendering of services

From 1 July 2019

Revenue from the sale of goods is recognised as revenue when the Entity satisfies a performance obligation by transferring the goods. The entity typically satisfies its performance obligations when it provides the specified good, i.e. when the control of the goods is transferred to the customer. 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.

Until 30 June 2019

Revenue from the rendering of services (including passenger transport services) is recognised as revenue when the service is provided or by reference to the stage of completion based on hours incurred to date.

From 1 July 2019

Revenue from the provision of services is recognised when the Entity satisfies the performance obligation by transferring the promised services. These services include passenger transport services and recoupable project delivery services for other agencies. The entity typically satisfies its performance obligations when the promised service has been provided.

Recoupable project revenue is recognised over time as the services are provided, and the stage of completion for determining the amount of revenue to recognise is assessed based on the work performed and therefore entitles the Entity to raise an invoice. The related costs are recognised in profit or loss when they are incurred.

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.

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2020

3. Revenue (continued)

Recognition and measurement (continued)

(iii) Investment 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 is recognised in accordance with AASB 16 *Leases* on a straight-line basis over the lease term.

(iv) Grants and contributions

Until 30 June 2019

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. Contributions are recognised at their fair value.

From 1 July 2019

Income from grants to acquire/construct a recognisable non-financial asset to be controlled by the Entity is recognised when it satisfies its obligations under the transfer. The entity 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 the Entity satisfies a performance obligation by transferring the promised goods or services. The entity typically satisfies its performance obligations when the corresponding costs are incurred. The payments are typically due the performance obligation is satisfied or in accordance with the funding agreement.

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.

From 1 July 2019 (continued)

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 Entity obtains control over the granted assets (e.g. cash).

(v) 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 a contract asset, and the amounts due to RailCorp are disclosed as a contract liability.

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2020

4. Gain/(loss) on disposal

	Note	2020 \$'000	2019 \$'000
Proceeds from asset sale		427,077	602,591
Net carrying amount of property, plant and equipment disposed	13	(464,424)	(860,868)
Gain/(loss) on disposal		(37,347)	(258,277)

The Entity entered into Integrated Station Development agreements with external parties for the construction of metro stations and over-station development, with sale of associated rights that serve as a partial offset to overall metro station development costs. The transactions involve transfer and long-term lease from the Entity to the external parties that are treated as asset sales for accounting purposes. The majority of sales proceeds are expected to be received by the Entity in the future, and are recorded at present value and/or fair value as other receivables (refer Note 8), while the unwinding of discount on these receivables are recorded as interest income (refer Note 3(b)).

5. Other gains/(losses)

	2020 \$'000	2019 \$'000
Impairment loss	(5,950)	-
Derivative gains/(losses)	9,045	3,895
Refinancing gain/(losses) on borrowings	59,398	-
Other gains/(losses)	62,493	3,895

Recognition and measurement

Derivative gains/(losses)

Refer to the recognition and measurement in Note 10 for derivatives financial instruments.

Impairment losses

Impairment losses may arise on assets held by the Entity from time to time. Accounting for impairment losses is dependent upon the individual asset (or group of assets) subject to impairment. Accounting policies and events giving rise to impairment losses are disclosed in Notes 13 and 14.

6. Program group

The entity has one program group namely: **Metropolitan capacity enhancements**

Definition: This program group covers infrastructure and asset programs that enhance the capacity of the transport system to efficiently and sustainably cater for the future demand for travel. The scope of activities within this service group includes the delivery of urban infrastructure (or capacity enhancements to existing infrastructure) within metropolitan networks.

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2020

7. Cash and cash equivalents

	2020 \$'000	2019 \$'000
Cash at bank and on hand	285,448	190,807
Cash and cash equivalents	285,448	190,807

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes 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:

	2020 \$'000	2019 \$'000
Cash and cash equivalents (per Statement of financial position)	285,448	190,807
Cash and cash equivalents (per Statement of cash flows)	285,448	190,807

Refer Note 26 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

8. Receivables

	2020 \$'000	2019 \$'000
Current receivables		
Trade receivables from contracts with customers	15,166	-
Sale of goods and services	-	2,946
Goods and Services Tax recoverable	23,942	40,837
Prepayments	27,553	29,490
Other receivables	59,988	165,684
Investment income receivable	2	1,118
Lease receivable	810	-
Current receivables	127,461	240,075
Non-Current receivables		
Other receivables	1,128,259	708,202
Prepayments	-	22,000
Non-Current Receivables	1,128,259	730,202

¹ Other receivables include proceeds receivable from external parties under the Integrated Station Development arrangements of \$1,078.3 million (2019: \$613.9 million), and grant receivable from Infrastructure NSW (previously Urban Growth Development Corporation) of \$99.6 million (2019: \$94.3 million). These receivables are recorded at present value of future cash flows.

The Entity did not recognise Expected Credit Losses at 30 June 2020 (2019: Nil).

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired, are disclosed in Note 26.

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2020

8. Receivables (continued)

Recognition and measurement

All 'regular way' purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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

Receivable held by the Entity with the objective to collect the contractual cash flows are measured 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.

Receivable held by the Entity that are linked to the fair value of the underlying assets are measured at fair value through profit or loss. Accordingly, these receivables are re-measured at fair value at each reporting date until receipt, and the movement in fair value is recognised in the profit or loss.

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.

For trade receivables, the Entity applies a simplified approach in calculating ECLs. The entity recognises a loss allowance based on lifetime ECLs at each reporting date.

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2020

9. Contract Liabilities

	2020 \$'000	1 July 2019 adjusted for AASB 15 \$'000
Contract liabilities – current	93	-
Current contract liabilities	93	-
Contract liabilities – non-current	20,000	-
Non- Current contract liabilities	20,000	-
Total Contract liabilities	20,093	-

Recognition and measurement

Contract liabilities relate to funding received in advance from Infrastructure NSW in respect of the design and construction of affordable housing within the Waterloo Metro Quarter Development, and from the Department of Education under the Infrastructure Skills Legacy Program. The balance of contract liabilities at 30 June 2020 was impacted by the grant funding received but not yet spent.

	2020 \$'000
Revenue recognised that was included in the contract liability balance (adjusted for AASB 15) at the beginning of the year	-
Revenue recognised from performance obligations satisfied in previous periods	-
Transaction price allocated to the remaining performance obligations from contracts with customers	20,093

The transaction price allocated to the remaining performance obligation relates to grants and contributions. \$20.1 million has been recognised as revenue in FY2019-20, and the remaining is expected to be recognised as revenue in FY2020-21 and FY2023-24.

10. Financial assets at fair value

	2020 \$'000	2019 \$'000
Financial assets held for trading		
Foreign exchange derivatives - cash flow hedges	-	1,970
Current financial assets at fair value	-	1,970
Foreign exchange derivatives - cash flow hedges	-	17,443
Energy derivative - cash flow hedges	-	1,420
Non-current financial assets at fair value	-	18,863

Recognition and measurement

All 'regular way' purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2020

10. Financial assets at fair value (continued)

Classification and measurement

The Entity's financial assets are classified at fair value at initial recognition, and subsequently measured at either fair value through other comprehensive income or 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 measured 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.

(i) Financial assets at fair value through other comprehensive income

The 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.

(ii) 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. 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).

(iii) Derivative financial instruments and hedge accounting

The entity holds derivative financial instruments to hedge its foreign currency risk exposure arising from overseas purchase commitments and manage its exposure to wholesale energy prices arising from commitments to purchase renewable energy. 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.

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2020

10. Financial assets at fair value (continued)

Recognition and measurement (continued)

(iii) Derivative financial instruments and hedge accounting (continued)

Specific accounting treatment is required for derivatives designated as hedging instruments in cash flow hedge relationships. To qualify for hedge accounting, the hedging relationship must meet several strict conditions with respect to documentation, probability of occurrence of the hedged transaction and hedge effectiveness. All other derivative financial instruments are accounted for at fair value through profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment;
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; and
- Hedges of a net investment in a foreign operation.

A hedging relationship qualifies for hedge accounting if it meets all of the following 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 the Entity actually hedges and the quantity of the hedging instrument that it actually uses to hedge that quantity of hedged item.

At the inception of a hedge relationship, the Entity formally designates and documents the hedge relationship, to which the Entity wishes to apply hedge accounting. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

The hedge documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Entity will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined).

Foreign exchange derivatives – cash flow hedges

The entity 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.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting or hedge accounting is discontinued, any cumulative gain or loss previously recognised in other comprehensive income remains separately in equity until the forecast transaction occurs. However, if the forecast transaction is no longer expected to occur, the cumulative gain or loss in equity is transferred to profit or loss.

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2020

10. Financial assets at fair value (continued)

Recognition and measurement (continued)

(iii) Derivative financial instruments and hedge accounting (continued)

Energy derivative – cash flow hedge

The entity has entered into an energy derivative for economic hedging purposes under the approved risk management policies, which is not designated in a hedge relationship hedge under AASB 9 *Financial Instruments*. The derivative is categorised as held for trading and classified in the Statement of Financial Position as 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.

11. Other financial assets

	2020 \$'000	2019 \$'000
Energy Certificate - at cost	3,963	-
Current other financial assets	3,963	-

Recognition and measurement

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

12. Non-current assets held for sale

	2020 \$'000	2019 \$'000
Non-Current assets held for sale		
Land and buildings held for sale	15,565	15,565
Non-current assets held for sale	15,565	15,565

Non-current assets held for sale are parcels of land around Metro Northwest stations being developed with Landcom where efforts to sell the properties have started.

Recognition and measurement

The Entity has certain non-current assets classified as held for sale, where their carrying amount will be recovered principally through a sale transaction, not through continuing use. Non-current assets held for sale are measured at the lower of their carrying amount or fair value less costs to sell. These assets are not depreciated while they are classified as held-for-sale.

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Notes to the financial statements

for the year ended 30 June 2020

13. Property, plant and equipment

(a) Total property, plant and equipment

	Land and buildings				Infrastructure systems				Plant and equipment			Total assets		
	Land and buildings	Assets under construction	Total	Rail systems	Assets under construction	Total	Plant and equipment	Rolling stock	Total	Property, plant and equipment	Total			
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	
At 30 June 2020														
At cost - Gross carrying amount	-	246,602	246,402	-	6,893,254	6,893,254	-	-	-	-	-	-	-	7,139,856
At fair value - Gross carrying amount	281,870	-	281,870	8,550,300	-	8,550,300	29,790	667,394	697,184	9,529,354	697,184	697,184	697,184	9,529,354
Accumulated depreciation and impairment	(60)	-	(60)	(238,580)	-	(238,580)	(9,595)	(22,046)	(31,641)	(270,281)	(31,641)	(31,641)	(31,641)	(270,281)
Net carrying amount	281,810	246,602	528,412	8,311,720	6,893,254	15,204,974	20,195	645,348	665,543	16,398,929	665,543	665,543	665,543	16,398,929
At 30 June 2019														
Restated at cost - Gross carrying amount	-	246,061	246,061	-	5,295,140	5,295,140	-	-	-	-	-	-	-	5,541,201
Restated at fair value - Gross carrying amount	298,456	-	298,456	8,190,868	-	8,190,868	29,570	648,120	677,690	9,167,014	677,690	677,690	677,690	9,167,014
Accumulated depreciation and impairment	-	-	-	(33,978)	-	(33,978)	(2,079)	(3,257)	(5,336)	(39,314)	(39,314)	(39,314)	(39,314)	(39,314)
Restated net carrying amount	298,456	246,061	544,517	8,156,890	5,295,140	13,452,030	27,491	644,863	672,354	14,668,901	672,354	672,354	672,354	14,668,901

13. Property, plant and equipment (continued)

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

Reconciliation

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

	Land and buildings		Infrastructure systems			Plant and equipment			Total Assets	
	Land and buildings	Assets under construction	Total	Rail systems	Assets under construction	Total	Plant and equipment	Rolling stock	Total	Total property, plant and equipment
Notes	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Opening balance at 1 July 2019	283,574	246,061	529,635	8,156,890	5,302,609	13,459,499	27,491	644,863	672,354	14,661,488
Correction of prior period error	14,882	-	14,882	-	(7,469)	(7,469)	-	-	-	7,413
Restated opening balance at 1 July 2019	298,456	246,061	544,517	8,156,890	5,295,140	13,452,030	27,491	644,863	672,354	14,668,901
Additions	-	-	-	-	2,273,003	2,273,003	-	-	-	2,273,003
Non cash addition	3,117	341	3,458	-	-	-	-	-	-	3,458
Disposals/write off	(100,211)	(165)	(100,376)	-	(364,048)	(364,048)	-	-	-	(464,424)
Reclassification between PPE classes	(365)	365	-	149,255	(149,475)	(220)	220	-	220	-
Asset transfer (to)/from equity	95,228	-	95,228	-	(47,635)	(47,635)	-	-	-	47,593
Reclassifications (to)/from other assets	-	-	-	-	(104,617)	(104,617)	-	-	-	(104,617)
Transfer to local councils	(2,645)	-	(2,645)	-	(7,398)	(7,398)	-	-	-	(10,043)
Transfer (to)/from other transport agencies	-	-	-	-	(1,716)	(1,716)	-	-	-	(1,716)
Depreciation/amortisation	(60)	-	(60)	(192,451)	-	(192,451)	(7,516)	(18,655)	(26,171)	(218,682)
Net revaluation increments less revaluation decrements	(11,710)	-	(11,710)	198,026	-	198,026	-	19,140	19,140	205,456
Net carrying amount at 30 June 2020	281,810	246,602	528,412	8,311,720	6,893,254	15,204,974	20,195	645,348	665,543	16,398,929

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 16.

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Notes to the financial statements

for the year ended 30 June 2020

13. Property, plant and equipment (continued)

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

Reconciliation (continued)

Notes	Land and buildings		Infrastructure systems			Plant and equipment			Total assets	
	Land and buildings	Assets under construction	Total	Rail systems	Assets under construction	Total	Plant and equipment	Rolling stock	Total	Total property, plant and equipment
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Opening balance at 1 July 2018	-	-	-	-	-	-	-	-	-	-
Additions	-	-	-	-	3,719,655	3,719,655	-	-	-	3,719,655
Disposals	-	-	-	-	(860,868)	(860,868)	-	-	-	(860,868)
Reclassification between PPE classes	245,528	9,137	254,665	7,630,056	(8,516,585)	(886,529)	29,570	602,294	631,864	-
Restated asset transfer (to)/from equity	13,636	245,489	259,125	-	4,367,357	4,367,357	-	-	-	4,626,482
Reclassifications (to)/from other assets	-	-	-	-	2,566,581	2,566,581	-	-	-	2,566,581
Assets transferred to/from non-current assets held for sale	-	(15,565)	(15,565)	-	-	-	-	-	-	(15,565)
Transfer to local councils	-	-	-	-	(316,371)	(316,371)	-	-	-	(316,371)
Restated transfer from local councils	1,246	-	1,246	-	2,574	2,574	-	-	-	3,820
Restated transfer (to)/from other transport agencies	-	-	-	-	-	-	(2,079)	(3,257)	(5,336)	(15,835)
Depreciation expense	-	-	-	(33,978)	(15,835)	(33,978)	-	-	-	(39,314)
Net revaluation increments less revaluation decrements	38,046	-	38,046	560,812	-	560,812	-	45,826	45,826	644,684
Net increase in assets from administrative restructure	-	7,000	7,000	-	4,348,632	4,348,632	-	-	-	4,355,632
Restated net carrying amount at 30 June 2019	298,456	246,061	544,517	8,156,890	5,295,140	13,452,030	27,491	644,863	672,354	14,668,901

Land and buildings was restated to \$14.8 million higher in 2019, which includes \$13.6 million increase in asset transfer from equity and \$1.2 million increase in transfer from local councils. Infrastructure systems was restated to \$7.5 million higher in 2019, which includes \$2.5 million increase in transfer from local councils that was partially offset by \$10.0 million increase in transfer to local councils. Refer Note 31 for details regarding restated prior year balances.

13. Property, plant and equipment (continued)

	Land and buildings		Infrastructure systems			Plant and equipment			Total	Property, plant and equipment \$ '000
	Land and buildings \$ '000	Assets under construction \$ '000	Total \$ '000	Rail systems \$ '000	Assets under construction \$ '000	Total \$ '000	Plant and equipment \$ '000	Rolling stock \$ '000		
At 30 June 2020										
At cost - Gross carrying amount	-	246,602	246,602	-	6,800,636	6,800,636	-	-	-	7,047,238
At fair value - Gross carrying amount	281,458	-	281,458	8,550,300	-	8,550,300	29,790	667,394	697,184	9,528,942
Accumulated depreciation and impairment	(60)	-	(60)	(238,580)	-	(238,580)	(9,595)	(22,046)	(31,641)	(270,281)
Net carrying amount	281,398	246,602	528,000	8,311,720	6,800,636	15,112,356	20,195	645,348	665,543	16,305,899
At 30 June 2019										
Restated at cost - Gross carrying amount	-	246,061	246,061	-	5,213,015	5,213,015	-	-	-	5,459,076
Restated at fair value - Gross carrying amount	296,823	-	296,823	8,190,868	-	8,190,868	29,570	648,120	677,690	9,165,381
Accumulated depreciation and impairment	-	-	-	(33,978)	-	(33,978)	(2,079)	(3,257)	(5,336)	(39,314)
Restated net carrying amount	296,823	246,061	542,884	8,156,890	5,213,015	13,369,905	27,491	644,863	672,354	14,585,143

13. Property, plant and equipment (continued)

(b) Property, plant and equipment held and used by the Entity (continued)

Reconciliation
A reconciliation of the carrying amount of each class of property, plant and equipment held and used by the Entity at the beginning and end of the current reporting period is set out below:

	Land and buildings		Infrastructure systems			Plant and equipment			Total Assets	
	Land and buildings	Assets under construction	Total	Rail systems	Assets under construction	Total	Plant and equipment	Rolling stock	Total	Total property, plant and equipment
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Notes										
Opening balance at 1 July 2019	281,941	246,061	528,002	8,156,890	5,220,484	13,377,374	27,491	644,863	672,354	14,577,730
Correction of prior period error	14,882	-	14,882	-	(7,469)	(7,469)	-	-	-	7,413
Restated opening balance at 1 July 2019	296,823	246,061	542,884	8,156,890	5,213,015	13,369,905	27,491	644,863	672,354	14,585,143
Additions	-	-	-	-	2,262,510	2,262,510	-	-	-	2,262,510
Non cash addition	3,117	341	3,458	-	-	-	-	-	-	3,458
Disposals/write off	(100,211)	(165)	(100,376)	-	(364,048)	(364,048)	-	-	-	(464,424)
Reclassification between PPE classes	(365)	365	-	149,255	(149,475)	(220)	220	-	220	-
Asset transfer (to)/from equity	95,228	-	95,228	-	(47,635)	(47,635)	-	-	-	47,593
Reclassifications (to)/from other assets	-	-	-	-	(104,617)	(104,617)	-	-	-	(104,617)
Transfer of asset to local councils	(2,645)	-	(2,645)	-	(7,398)	(7,398)	-	-	-	(10,043)
Transfer (to)/from other transport agencies	(60)	-	(60)	(192,451)	(1,716)	(1,716)	(7,516)	(18,655)	(26,171)	(1,716)
Depreciation/amortisation	-	-	-	198,026	-	198,026	-	19,140	19,140	205,456
Net revaluation increments less revaluation decrements	(11,710)	-	(11,710)	-	-	-	-	-	-	-
Termination of operating lease ¹	1,221	-	1,221	-	-	-	-	-	-	1,221
Net carrying amount at 30 June 2020	281,398	246,602	528,000	8,311,720	6,800,636	15,112,356	20,195	645,348	665,543	16,305,899

¹Upon termination of the leases, the property previously leased out as operating lease became held and used by the Entity.

13. Property, plant and equipment (continued)

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

	Land and buildings		Infrastructure systems				Plant and equipment			Total assets		
	Land and buildings	Assets under construction	Total	Rail systems	Assets under construction	Total	Plant and equipment	Rolling stock	Total	Total property, plant and equipment	Total	
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	
At 30 June 2020												
At cost - Gross carrying amount	-	-	-	-	92,618	92,618	-	-	-	-	92,618	-
At fair value - Gross carrying amount	412	-	412	-	-	-	-	-	-	-	-	412
Accumulated depreciation and impairment	-	-	-	-	-	-	-	-	-	-	-	-
Net carrying amount	412	-	412	-	92,618	92,618	-	-	-	-	93,030	-
At 30 June 2019												
At cost - Gross carrying amount	-	-	-	-	82,125	82,125	-	-	-	-	82,125	-
At fair value - Gross carrying amount	1,633	-	1,633	-	-	-	-	-	-	-	-	1,633
Accumulated depreciation and impairment	-	-	-	-	-	-	-	-	-	-	-	-
Net carrying amount	1,633	-	1,633	-	82,125	82,125	-	-	-	-	83,758	-

Reconciliation

A reconciliation of the carrying amount of each class of property, plant and equipment where the Entity is lessor under operating lease at the beginning and end of the current reporting period is set out below:

	Land and buildings		Infrastructure systems				Plant and equipment			Total Assets		
	Land and buildings	Assets under construction	Total	Rail systems	Assets under construction	Total	Plant and equipment	Rolling stock	Total	Total property, plant and equipment	Total	
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	
Notes												
Opening balance at 1 July 2019	1,633	-	1,633	-	82,125	82,125	-	-	-	-	83,758	-
Purchase of assets					10,493	10,493					10,493	
Termination of operating lease ¹	(1,221)	-	(1,221)	-	-	-	-	-	-	-	(1,221)	-
Net carrying amount at 30 June 2020	412	-	412	-	92,618	92,618	-	-	-	-	93,030	-

¹ Upon termination of the leases, the property previously leased out as operating lease became held and used by the Entity.

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2020

13. Property, plant and equipment (continued)

Recognition and measurement

Acquisition of property, plant and equipment

Property, plant and equipment comprise land and buildings, plant and equipment (general plant and equipment and finance lease assets) and infrastructure systems.

(i) Capitalisation and initial recognition

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the Entity 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.

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. 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 estimates of dismantling and restoration costs.

(ii) Capitalisation thresholds

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

(iii) Valuation of property, plant and equipment

Subsequent to initial recognition, property, plant and equipment assets are valued in accordance with NSW Treasury Accounting Policy "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.

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Notes to the financial statements

for the year ended 30 June 2020

13. Property, plant and equipment (continued)

Recognition and measurement (continued)

(iv) Revaluation of property, plant and equipment

Fair value of property, plant and equipment is based on a market participant's perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Refer Note 16 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 is used to revalue specialised buildings (designed for a specific limited purpose), 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. Incremental optimisation is limited to the extent that optimisation can occur in the normal course of business with commercially available technology.

Land and buildings will be revalued at least once every three years and each other 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.

The latest comprehensive revaluation of property, plant and equipment is summarised as follows:

Asset type	Latest comprehensive revaluation date
Rail land	30 June 2019
Rail Infrastructure	5 May 2019
Rolling stock	5 May 2019
Specialised plant and equipment	5 May 2019

Interim revaluations are conducted between comprehensive revaluations where cumulative changes to indicators suggest fair value may differ materially from carrying value. A revaluation assessment was completed on 30 June 2020. The entity used an external professionally qualified valuer to conduct the interim revaluations. Refer Note 16 for detail of the interim revaluation.

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

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

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

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Notes to the financial statements

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13. Property, plant and equipment (continued)

Recognition and measurement (continued)

(iv) Revaluation of property, plant and equipment (continued)

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.

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.

(v) Impairment of property, plant and equipment

As a not-for-profit reporting entity with no cash generating units, impairment under AASB 136 *Impairment of Assets* (AASB 136) 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 Entity 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. This means that, for an asset already measured at fair value, impairment can only arise if selling costs are material. Selling costs are regarded as immaterial.

Notwithstanding this, the Entity 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.

(vi) Depreciation of property, plant and equipment

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

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

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:

Asset class	Useful lives
Infrastructure systems	15 – 100 years
Plant and equipment	4 – 35 years
Rolling stock	35 years
Leasehold Improvement	4 – 5 years
Right-of-use assets	2 – 5 years

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Notes to the financial statements

for the year ended 30 June 2020

13. Property, plant and equipment (continued)

Recognition and measurement (continued)

(vi) Depreciation of property, plant and equipment (continued)

The asset residual values, useful life and depreciation methods are reviewed, and adjusted, if appropriate, at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in assets are considered to modify the depreciation period or method, as appropriate, and are treated as changes in accounting estimates and adjusted prospectively.

During the year, the Entity conducted a review of the useful life of its infrastructure assets, which resulted in changes in the remaining useful life of these assets. The effect of these changes on actual and expected depreciation expense is an annual reduction of \$14 million from 1 July 2019.

(vii) 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.

(viii) 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.

(ix) 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.

(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.

(xi) Right-of-use assets acquired by lessees

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

Therefore, at that date 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 AASB117.

Further information on leases is contained in Note 14.

The 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.

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Notes to the financial statements

for the year ended 30 June 2020

14. Leases

(a) Entity as a lessee

The Entity leases various properties, equipment and motor vehicles. Lease contracts are typically made for fixed periods of one to five 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 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 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 \$2.5 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 FY2019-20, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was a Nil increase in recognised lease liabilities and right-of-use assets.

From 1 July 2019, AASB 16 *Leases* (AASB 16) requires a lessee to recognise a right-of-use asset and a corresponding lease liability for most leases.

The 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 leases are leases with a fair value of \$10,000 or less when new and comprise mainly motor vehicle leases. The Entity has \$1.0 million of short term and \$1,000 low value leases that have not been included in the lease liability or right-of-use assets, and were capitalised in Property, Plant and Equipment as directly attributable costs; there was also \$9,000 of short-term leases expensed in FY2019-20.

Right-of-use assets under leases

	Notes	Land and buildings \$ '000	Plant and equipment \$ '000	Total \$ '000
Balance at 1 July 2019				
Recognition of right-of-use asset on initial application of AASB 16		16,794	21	16,815
Adjusted Balance at 1 July 2019		16,794	21	16,815
Additions		20,976	17	20,993
Impairment losses	5	(5,950)	-	(5,950)
Depreciation expense	2(d)	(6,519)	(17)	(6,536)
Balance at 30 June 2020		25,301	21	25,322

Impairment losses for right of use assets

The COVID-19 pandemic occurring throughout the 2019-20 financial year had a negative effect on the NSW and global economies. COVID-19 significantly impacted the market rent for general office accommodation, and therefore the value of some right of use assets in the Statement of Financial Position.

The Entity has 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 was recognised.

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2020

14. Leases (continued)

(a) Entity as a lessee (continued)

Impairment losses for right of use assets (continued)

The Entity recognised impairment losses for right of use assets during the 2019-20 financial year of \$5.95 million relating to right-of-use asset – Land and Buildings. Impairment losses are included in other gains/(losses) (note 5) in the Statement of Comprehensive Income.

There is no impairment loss in relation to the right-of-use assets – plant and equipment, as these are leased motor vehicles that are expected to depreciate over their useful life without significant upward or downward movements in fair value in accordance with TC 20-2 AASB 16 *Leases Subsequent Measurement of Right of Use Assets*.

The recoverable amounts determined with reference to right of use assets' fair value less costs of disposal were determined 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 within 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"> The assets were recognised at fair value at the time of initial recognition or lease commencement date. Cost of disposals is immaterial The rent profile (fixed percentage, market rent review, consumer price index (CPI) or combination) at the lease commencement date represents future market rent forecasts. Regional market rents are linked with CPI. 	Level 3

The recoverable amounts of the right of use assets for which an impairment loss has been recognised 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:

	Land and buildings \$ '000	Plant and equipment \$ '000	Total \$ '000
Fair value less costs of disposal:			
Level 1	-	-	-
Level 2	-	-	-
Level 3	25,301	21	25,322
Total	25,301	21	25,322

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

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2020

14. Leases (continued)

(a) Entity as a lessee (continued)

Impairment losses for right of use assets (continued)

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 <i>Leases</i> , or at the lease commencement date if the lease commenced after 1 July 2019.

Lease liabilities

	Lease liabilities \$ '000
Balance at 1 July 2019	-
Recognition of right-of-use asset on initial application of AASB 16	18,441
Adjusted Balance at 1 July 2019	18,441
Additions	20,993
Interest expenses	219
Payments	(7,783)
Balance at 30 June 2020	31,870

The lease liability above as at 1 July 2019 includes back-to-back subleases where the Entity is an intermediate lessor, a lease receivable is recognised as oppose to right-of-use assets for these subleases.

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.

	\$ '000
Depreciation expense of right-of-use assets	116
Interest expense on lease liabilities	219
Expense relating to short-term leases	9
Expenses relating to leases of low-value assets	-
Variable lease payments, not in lease liabilities	-
Income from subleasing right of use assets	-
Gains or losses from sale and leaseback	-
Total amount recognised in the statement of comprehensive income	344

The entity had total cash outflows for leases of \$7.8 million in FY2019-20.

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

	2019 \$ '000
Within one year	5,596
Later than one year and not later than five years	460
Later than five years	-
Total (including GST)	6,056
Less: GST recoverable from Australian Tax office	(551)
Total (excluding GST)	5,505

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Notes to the financial statements

for the year ended 30 June 2020

14. Leases (continued)

(a) Entity as a lessee (continued)

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

The Entity entered into leases with various government agencies for periods between 1 to 5 years. The lease premises are used by the Entity in order to obtain access to the sites in order to undertake the metro construction works. The lease contracts specifies lease payments between \$1 to \$100 per annum. As such, these leases do not have a material impact on the Entity's operation.

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

The 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 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.

(i) Right-of-use assets

The 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.

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 or the estimated useful lives of the assets, as follows:

- Land and buildings: 2 – 5 years; and
- Motor vehicles: 2 – 3 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.

The right-of-use assets are also subject to impairment. The 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 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.

(ii) Lease liabilities

At the commencement date of the lease, the 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.

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Notes to the financial statements

for the year ended 30 June 2020

14. Leases (continued)

(a) Entity as a lessee (continued)

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

(ii) Lease liabilities (continued)

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.

The Entity's lease liabilities are included in borrowings.

(iii) Short-term leases and leases of low-value assets

The 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.

(iv) Leases that have significantly below-market terms and conditions principally to enable the Entity to further its objectives

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 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. 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.

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Notes to the financial statements

for the year ended 30 June 2020

14. Leases (continued)

(a) Entity as a lessee (continued)

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

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.

(b) Entity as a lessor

Lessor for finance lease

Future minimum rentals receivables (undiscounted) under non-cancellable finance lease as at 30 June are as follows:

	2020 \$'000
Within one year	810
One to two years	-
Two to three years	-
Three to four years	-
Four to five years	-
Later than five years	-
Total (excluding GST)	810

Reconciliation of net investment in leases

	2020 \$'000
Future undiscounted rentals receivable	810
Unguaranteed residual amounts - undiscounted	-
Less: unearned finance income	(3)
Net investment in finance leases	807

Leases that the 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.

At the lease commencement date, the Entity recognises a receivable for assets held under a finance lease in its Statement of Financial Position at an amount equal to the net investment in the lease. The net investment in leases is classified as financial assets amortised cost and equals the lease payments receivable by a lessor and the unguaranteed residual value, plus initial direct costs, discounted using the interest rate implicit in the lease initial direct costs. The Entity records its back-to-back sub-leases as finance leases, resulting in the recognition of finance lease receivables as opposed to the right-of-use assets.

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Notes to the financial statements

for the year ended 30 June 2020

14. Leases (continued)

(b) Entity as a lessor (continued)

Lessor for operating lease

Future minimum rentals receivables (undiscounted) under non-cancellable operating lease as at 30 June are as follows:

	2020	2019
	\$'000	\$'000
Within one year	340	583
One to two years	243	97
Two to three years	243	-
Three to four years	-	-
Four to five years	-	-
Later than five years	-	-
Total (excluding GST)	826	680

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 term 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.

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Notes to the financial statements

for the year ended 30 June 2020

15. Other assets

	2020 \$'000	2019 \$'000
Non-current other assets		
Prepaid asset - Sydney Metro City and South West	157,658	-
Non-current other assets	157,658	-
Movement in right to receive privately financed transport infrastructure		
Additions	53,041	429,120
Reclassifications (to)/from property, plant and equipment	104,617	(2,566,581)
Net increase in assets from administrative restructure	-	2,137,461
Balance at 30 June	157,658	-

The entity entered into Public Private Partnership (PPP) with Northwest Rapid Transit for the construction of the Sydney Metro Northwest and City and South West projects. 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 'Accounting for Privately Financed Projects'. Upon completion, the prepaid assets are transferred to property, plant and equipment, and form part of the cost base of the metro operational assets.

16. 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.

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

- 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; and
- Level 3 – inputs that are not based on observable market data (unobservable inputs).

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

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

(a) Fair value hierarchy

Fair value measurements recognised in the Statement of Financial Position are categorised into the following levels at 30 June.

30 June 2020	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total fair value \$'000
Property, plant and equipment				
Land and buildings	-	43,120	238,690	281,810
Land and buildings	-	43,120	238,690	281,810
Plant and equipment	-	-	20,195	20,195
Rolling stock	-	-	645,348	645,348
Plant and equipment	-	-	665,543	665,543
Rail systems	-	-	8,311,720	8,311,720
Infrastructure systems	-	-	8,311,720	8,311,720
	-	43,120	9,215,953	9,259,073

30 June 2019	Level 1 \$'000	Level 2 \$'000	Restated Level 3 \$'000	Restated Total fair value \$'000
Property, plant and equipment				
Land and buildings	-	2,050	296,406	298,456
Land and buildings	-	2,050	296,406	298,456
Plant and equipment	-	-	27,491	27,491
Rolling stock	-	-	644,863	644,863
Plant and equipment	-	-	672,354	672,354
Rail systems	-	-	8,156,890	8,156,890
Infrastructure systems	-	-	8,156,890	8,156,890
	-	2,050	9,125,650	9,127,700

Fair value of land and building has been restated to be \$14.9 million million higher in 2019. Refer Note 31 for details of regarding restated prior year balance.

(b) Valuation process

The entity obtains independent valuations for its land and buildings assets at least every 3 years and for its other non-financial assets at least every 5 years.

The entity engages external qualified valuers to determine the fair value of the Entity's non-financial assets. An interim desktop revaluation of Metro Northwest rail assets (excluding land) was conducted by AECOM Australia as at 31 March 2020. An interim desktop revaluation of the Sydney Metro Northwest land assets was conducted by Jones Lang LaSalle Advisory Services as at 30 June 2020. The scope of the land valuation excluded developable land under Northwest Property Development Agreement, which remains within asset under construction as they are being developed in partnership with Landcom. Leasehold improvement within land and building category and office fitouts within plant and equipment asset category are measured using depreciated historical cost as an approximation of fair value and do not require revaluation.

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

(c) Valuation techniques and input

At the end of each reporting period, the 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 fair value assessment considers information from a variety of other sources and uses specific valuation techniques including:

- 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 based on contract costs and overhead costs escalated from contract to measurement date;
- discounted cash flow projections based on estimates of future cash flows.

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.

The main inputs used for Level 3 fair value measurements are as follows:

- Land – sale evidence and market indicator for comparable properties, adjusted for the specific attributes of the property being revalued, such as size, configuration and location of the properties, restricted use for rail transport and infrastructure, as well as risk associated.
- Metro Northwest rolling stock and specialised plant and equipment – replacement cost for modern equivalent assets, expected useful life and remaining life of the assets are estimated and reviewed by the external valuer.
- Metro Northwest infrastructure assets – replacement cost for modern equivalent assets, unit of measure for each asset, appropriate indexation factors, expected useful life and remaining life of the assets as estimated by the external valuer.
- Leasehold improvement makegood assets – restoration costs on the leased property estimated on the rate per square metre basis were discounted, adjusted for inflation and depreciated over the remaining lease period.

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Notes to the financial statements

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

(d) Reconciliation of Level 3 fair value measurement

	Restated Land and buildings \$ '000	Plant and equipment \$ '000	Rolling stock \$ '000	Infrastructure systems \$ '000	Total \$ '000
Fair value at 1 July 2019	281,524	27,491	644,863	8,156,890	9,110,768
Correction of prior period error	14,882	-	-	-	14,882
Restated fair value at 1 July 2019	296,406	27,491	644,863	8,156,890	9,125,650
Additions	3,117	-	-	-	3,117
Revaluation increments/decrements recognised in other comprehensive income	(11,710)	-	19,140	198,026	205,456
Transfer (to)/from local councils	(2,645)	-	-	-	(2,645)
Disposals	(4,983)	-	-	-	(4,983)
Depreciation	(60)	(7,516)	(18,655)	(192,451)	(218,682)
Transfer from other classes of property, plant and equipment	-	220	-	-	220
Transfer from/(to) assets under construction	(365)	-	-	149,255	148,890
Transfer (to)/from equity	-	-	-	-	-
Transfers to Level 2	(41,070)	-	-	-	(41,070)
Fair value as at 30 June 2020	238,690	20,195	645,348	8,311,720	9,215,953

During the year, the Entity identified additional surplus land with divestment potential, they were previously categorised as non-developable land with 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.

	Land and building \$ '000	Plant and equipment \$ '000	Rolling stock \$ '000	Infrastructure systems \$ '000	Total \$ '000
Fair value at 1 July 2018	-	-	-	-	-
Additions	-	-	-	-	-
Revaluation increments/decrements recognised in other comprehensive income	52,884	-	45,826	560,812	659,522
Depreciation	-	(2,079)	(3,257)	(33,978)	(39,314)
Restated equity transfer	13,636	-	-	-	13,636
Restated transfer from local councils	1,246	-	-	-	1,246
Transfer from assets under construction	228,640	29,570	602,294	7,630,056	8,490,560
Restated Fair value as at 30 June 2019	296,406	27,491	644,863	8,156,890	9,125,650

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2020

17. Payables

	2020	2019
	\$'000	\$'000
Trade creditors	50,210	157,528
Accrued expenses	200,901	250,206
Personnel service payables	4,480	4,445
Current payables	255,591	412,179

Recognition and measurement

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

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables, are disclosed in Note 26.

18. Borrowings

	2020	2019
	\$'000	\$'000
Financial liabilities at amortised cost	797,759	77,288
Lease liabilities	12,145	-
Current borrowings	809,904	77,288
Financial liabilities at amortised cost	912,410	1,756,342
Lease liabilities	19,725	-
Financial liabilities at fair value	415	-
Non-current borrowings	932,550	1,756,342

Repayment of borrowings

	2020	2019
	\$'000	\$'000
Not later than one year	809,904	77,288
Later than one year and not later than five years	760,263	329,129
Later than five years	172,287	1,427,213
Repayment of borrowings	1,742,454	1,833,630

The entity entered into Public Private Partnership (PPP) with Northwest Rapid Transit for the construction of the Sydney Metro Northwest and City and South West projects. 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.

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Notes to the financial statements

for the year ended 30 June 2020

18. Borrowings (continued)

Recognition and measurement

Borrowings classified as financial liabilities at amortised cost are 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 in net result when the liabilities are derecognised as well as through the amortisation process.

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

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above borrowings, are disclosed in Note 26.

Finance lease liabilities are determined in accordance with AASB 117 until 30 June 2019. From 1 July 2019, lease liabilities are determined in accordance with AASB 16.

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

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

19. Provisions

	2020 \$'000	2019 \$'000
Legal and related claims	1,768	350
Other ¹	32,002	-
Current provisions	33,770	350
Land and buildings remediation	20,033	15,795
Non-current provisions	20,033	15,795

¹ Other provision include future payment obligation under the Integrated Station Development arrangement.

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Notes to the financial statements

for the year ended 30 June 2020

19. Provisions (continued)

Movement in provisions

	Land and buildings remediation \$'000	Legal and related claims \$'000	Other \$'000	Total \$'000
Carrying amount at the beginning of the financial year	15,795	350	-	16,145
Additional provision recognised	4,238	1,418	32,002	37,658
Carrying amount at the end of the financial year	20,033	1,768	32,002	53,803

Recognition and measurement

Provisions exist when the 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 Entity 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 rate that reflects the current market assessments of the time value of money and risk specific to the liability.

The land and buildings remediation provision is recognised when the Entity has a legal or constructive obligation to remediate property and other assets. The value recognised for each provision represents the most reliable basis for estimating the outflow of resources required to settle the obligations.

20. Other liabilities

	2020 \$'000	2019 \$'000
Deposit received in advance	7,180	-
Current other liabilities	7,180	-
Other ¹	2,866	625
Non-current other liabilities	2,866	625

¹ Other non-current liabilities include future payments required to be made in relation to Integrated Station Development arrangement \$2.2 million (\$2019: \$0.6 million).

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2020

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

	2020 \$'000	Restated 2019 \$'000
Net cash inflows/(outflows) from operating activities	2,425,386	2,555,254
Depreciation and amortisation	(218,798)	(39,314)
Non-cash revenue and expenses	(11,759)	(328,386)
(Decrease)/increase in receivables, inventories and other assets	(79,519)	79,938
(Increase)/decrease in payables and provisions	70,688	(26,499)
Net gain/(loss) on sale of property, plant and equipment	(37,347)	(258,277)
Other gains/(losses)	62,493	3,895
Reconciliation to net result	2,211,144	1,986,611

Net non-cash revenue and expenses have been restated to be \$6.2 million higher in 2019. Refer Note 31 for details regarding restated prior year balance.

22. Non-cash financing and investing activities

	Notes	2020 \$'000	Restated 2019 \$'000
Transfer from administrative restructure - others	27	-	6,327,585
Equity transfers	24	47,593	4,626,482
Resources received free of charge	3(e)	2,284	1,844
Non-cash investing activities		49,877	10,955,911
Refinancing gain of borrowing		49,620	-
Non-cash financing and investing activities		99,497	10,955,911

Equity transfers have been restated to be \$13.6 million higher in 2019. Refer Note 31 for details regarding restated prior year balance.

23. Commitments for expenditure

	2020 \$'000	2019 \$'000
Capital commitments		
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	2,148,832	2,433,284
Later than one year and not later than five years	2,656,204	2,617,540
Later than five years	-	-
Total (including GST)	4,805,036	5,050,824

Net GST on all commitments estimated at \$436.8 million (2019: \$459.7million) will be recouped from the Australian Taxation Office.

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2020

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 the Entity's policy on the revaluation of property, plant and equipment as outlined in Note 13.

(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 include all current period retained funds.

(d) Equity transfers

	2020 \$'000	Restated 2019 \$'000
Epping to Chatswood assets transferred from RailCorp ¹	-	1,415,529
Metro Northwest assets transferred from RailCorp ²	-	3,196,473
Land transferred from RMS ³	-	844
Metro Northwest assets transferred to TfNSW ⁴	(47,635)	-
Waterloo Metro Quarter Development transferred from Infrastructure NSW ⁵	95,228	-
Metro Northwest land transferred from Planning Ministerial Corporation ⁶	-	13,636
Equity transfers	47,593	4,626,482

¹ The Transport Secretary directed RailCorp to transfer assets related to the Epping to Chatswood line to the Entity under the *Transport Administration Act 1988*, and it has been accounted for as an adjustment to equity effective 26 October 2018, in accordance with TPP 09-3 'Contributions by owners made to wholly-owned Public Sector Entities' (TPP09-3).

² The Transport Secretary directed RailCorp to transfer assets related to Metro Northwest to Sydney Metro under the *Transport Administration Act 1988*, and it has been accounted for as an adjustment to equity effective 3 May 2019, in accordance with TPP 09-3.

³ The Transport Secretary directed RMS to transfer land surrounding Metro Northwest to Sydney Metro under the *Transport Administration Act 1988*, and it has been accounted for as adjustment to equity in accordance with TPP 09-3. There were two separate transfers directed by the Transport Secretary, effective 14 December 2018 and 26 June 2019.

⁴ The Transport Secretary directed Sydney Metro to transfer land surrounding Metro Northwest Electronic Ticketing, Wayfinding and other Digital assets to Transport for NSW under the *Transport Administration Act 1988*, and it has been accounted for as adjustment to equity in accordance with TPP 09-3.

⁵ The Premier approved a transfer of Waterloo Metro Quarter Development from Infrastructure NSW under the *Growth Centres (Development Corporations) Act 1974*, and it has been accounted for as adjustment to equity in accordance with TPP 09-3.

⁶ The Planning Ministerial Corporation transferred land surrounding Metro Northwest to Sydney Metro in accordance with a Cabinet decision, whereby land previously acquired for the Northwest rail link project and in the ownership of the Minister to be vested to Sydney Metro. This has been accounted for as adjustment to equity in accordance with TPP 09-3.

Equity transfer in 2019 has increased by \$13.6 million due to the correction of prior period error. Refer Note 31 for details regarding restated prior year balances.

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2020

0. Equity and reserves (continued)

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 Australian Accounting Standards to be treated as contributions by owners and recognised as an adjustment to 'accumulated funds'. This treatment is consistent with TPP 09-3, 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.

25. Contingent assets and contingent liabilities

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 Sydney Metro) that will arise in relation to these disputes.

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

There are a number of litigation proceedings in relation to property acquisitions for the City & Southwest project. The amount of liability (if any) that may arise in relation to these disputes cannot be measured reliably at this time.

The entity does not have any other contingent liabilities that would significantly impact on the state of affairs of the Entity or have a material effect on these financial statements.

26. Financial instruments

The Entity's principal financial instruments are outlined below. These financial instruments are required to finance the Entity's operations and manage forecast cash flow exposures. The entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The operational activities of the Entity expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, currency risk, and electricity price risk). The main risks arising from these financial instruments are outlined below together with the 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 Board 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 Entity, to set limits and to monitor risks. Compliance with these policies is reviewed by the Entity on a continuous basis.

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2020

26. Financial instruments (continued)

(a) Financial instrument categories

	Notes	Category	Carrying amount 2020 \$'000	Carrying amount 2019 \$'000
Financial assets				
Class:				
Cash and cash equivalents	7	N/A	285,448	190,807
Receivables ¹	8	Amortised cost	1,204,225	877,950
Financial assets at fair value	10	Fair value through profit or loss designated such at initial recognition	-	20,833
Other financial assets	11	Amortised cost	3,963	-
			1,493,636	1,089,590
Financial liabilities				
Class:				
Payables ²	17	Financial liabilities measured at amortised cost	255,591	412,179
Other Liabilities	20	Financial liabilities measured at amortised cost	2,866	625
Borrowings	18	Financial liabilities measured at amortised cost	1,742,039	1,833,630
Financial liabilities at fair value	18	Fair value through profit or loss designated such at initial recognition	415	-
			2,000,911	2,246,434

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).

During the year ended 30 June 2020, there were no defaults on any loans payable. 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 the Entity transfers the financial assets:

- where substantially all the risks and rewards have been transferred; or
- where the Entity has not transferred substantially all the risks and rewards, if it has not retained control.

Where the Entity has neither transferred nor retained substantially all the risk and rewards or transferred control, the asset is recognised to the extent of the 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.

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2020

26. Financial instruments (continued)

(c) Derivatives

The Entity only uses derivatives for hedging purposes and not as trading or speculative instruments. The Entity has Nil (2019: \$20.8 million) derivative financial assets, and \$0.4 million (2019: Nil) derivative financial liabilities.

Foreign exchange risk management

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.

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. As at 30 June 2020, the Entity has no foreign exchange risk exposure.

	Weighted average exchange rate	Contract value	Expected Cash flow			Total
			No later than 3 months	Later than 3 months and no later than 12 months	Later than 12 months	
	AUD	AUD	AUD	AUD	AUD	AUD
		\$'000	\$'000	\$'000	\$'000	\$'000
2019						
Denominated in US Dollars	0.7468	9,182	-	509	8,673	9,182
Denominated in Euros	-	-	-	-	-	-
Denominated in Euros	0.5879	146,779	-	14,767	132,012	146,779
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
Foreign exchange contracts	-	457,907	-	38,748	419,159	457,907

All derivatives are measured at fair value. Information about the exposure is provided: credit risk in Note 0, foreign exchange risk in Note 26(f), the methods and assumptions used in determining fair values of derivatives in Note 26(g).

Energy price risk management

The Entity is exposed to energy price risk associated with the purchase of energy to operate transport services.

It is the Entity'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.

The exposure to fluctuations in the wholesale market prices is managed through the use of a derivative financial instrument.

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2020

26. Financial instruments (continued)

(c) Derivatives (continued)

Energy price risk management (continued)

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.

	Notional MW/h	Expected cash flow			Total \$'000
		Less than 12 months \$'000	1 - 5 Years \$'000	Greater than 5 Years \$'000	
2020					
Energy derivative contract	134,000	(3,332)	(3,749)	6,666	(415)
2019					
Energy derivative contract	134,000	(1,438)	(605)	2,321	278

Credit risk

Credit risk arises where a debtor or counterparty does not complete their obligations, resulting in financial loss to the Entity.

Credit risk can arise from financial assets of the reporting entity, including cash and cash equivalents, as well as credit exposure to customers, including outstanding receivables and committed transactions and derivative financial instruments. The Entity holds bank guarantees for significant contractors. The Entity has not granted any financial guarantees.

Credit risk associated with Entity's financial assets other than receivables, is managed through the sound selection of counterparties and establishment of minimum credit rating standards.

The Entity considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Entity may also consider a financial asset to be in default when internal or external information indicates that the entity is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Entity. 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 current Reserve Bank of Australia official cash rate.

Derivatives

The Entity 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. The Entity 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.

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.

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2020

26. Financial instruments (continued)

0 Credit risk (continued)

Receivables – trade debtors (continued)

Trade debtors are written off when there is no reasonable expectation of recovery. The Entity is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Most of trade debtors are NSW Government agencies, where the risk of credit loss is not material and there is no reasonable expectation of non-recovery of receivables. Therefore, Entity's loss allowance for trade debtor as at 30 June 2020 and 30 June 2019 was determined as Nil. The Entity is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors.

(e) Liquidity risk

Liquidity risk is the risk that the Entity will be unable to meet its payment obligations when they fall due. The 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 loans and other advances.

During the current year, there were no defaults of loans payable and no assets have been pledged as collateral. The Entity's exposure to liquidity risk is deemed insignificant based on 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.

26. Financial instruments (continued)

(e) Liquidity risk (continued)

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				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		
2020										
Payables										
Trade creditors	-	50,210	-	-	50,210	50,210	-	-		
Accrued expenses	-	200,901	-	-	200,901	200,901	-	-		
Personnel services payable	-	4,480	-	-	4,480	4,480	-	-		
Other liabilities	-	2,866	-	-	2,866	-	2,866	-		
Borrowings										
Financial liability	7.11	1,710,169	1,710,169	-	-	797,759	740,123	172,287		
Lease liabilities	1.42	31,870	-	31,870	-	12,145	19,725	-		
	-	2,000,496	1,710,169	31,870	258,457	1,065,495	762,714	172,287		
2019										
Payables										
Trade creditors	-	157,528	-	-	157,528	157,528	-	-		
Accrued expenses	-	250,206	-	-	250,206	250,206	-	-		
Personnel services payable	-	4,445	-	-	4,445	4,445	-	-		
Other liabilities	-	625	-	-	625	-	625	-		
Borrowings										
Financial liability	7.26	1,833,630	1,833,630	-	-	77,288	329,129	1,427,213		
	-	2,246,434	1,833,630	-	-	489,467	329,754	1,427,213		

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2020

26. Financial instruments (continued)

(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. The Entity's exposure to market risk is primarily through foreign exchange risks associated with overseas purchase commitments and commodity price risk associate with energy purchases.

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 the 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 assumes that all other variables remain constant.

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 arises primarily through the Entity's interest bearing liabilities. The Entity 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.

The Entity's exposure to interest rate risk is set out in the table below:

	-1%		+1%	
	Carrying amount	Net result	Equity	Equity
	2020	2020	2020	2020
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Cash and cash equivalents	285,448	(2,854)	(2,854)	2,854

	-1%		+1%	
	Carrying amount	Net result	Equity	Equity
	2019	2019	2019	2019
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Cash and cash equivalents	190,807	(1,908)	(1,908)	1,908

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2020

26. Financial instruments (continued)

(f) Market risk (continued)

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 Entity manages its foreign exchange risk by entering into forward exchange contracts in accordance with its risk management policies.

Foreign exchange risk related to the principal amount of overseas purchase commitments made, that are primarily denominated in Euros, Chinese Yuan, Indian Rupees 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.

The Entity determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of their respective cash flows. The Entity assesses whether the derivative designated in the hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

In these hedge relationships, the primary source of expected ineffectiveness to be recognised in the income statement are the changes caused by variations between the forecast versus final currency cash flows where the individual amount is less than the designated hedge account, and or time of cash flows as a result of the negotiations.

The 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 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		Net result	Equity	Net result	Equity	
\$ '000		\$ '000	\$ '000	\$ '000	\$ '000	
2019	Denominated in US Dollars	9,182	(43)	(812)	52	992
	Denominated in Euros	146,779	(647)	(12,290)	791	15,021
	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
	Foreign exchange contracts	457,907	(2,120)	(40,272)	2,591	49,222

These forward exchange contracts were entered into in FY2018-19 and closed during FY2019-20, therefore there is no foreign exchange exposure for the Entity as at 30 June 2020.

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2020

26. Financial instruments (continued)

Commodity price risk

The Entity is exposed to commodity price risk from electricity purchases.

The Entity is exposed to electricity price risk associated with the purchase of electricity to operate to operate Metro 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 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 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 commodity swap contracts designated as cash flow hedge.

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.

		Notional MW/h	10%		-10%	
			Net result \$ '000	Equity \$ '000	Net result \$ '000	Equity \$ '000
2020	Energy derivatives	134,000	7,242	-	(8,072)	-
2019	Energy derivatives	134,000	9,089	-	(6,249)	-

(g) Fair value compared to carrying amount

Financial instruments are generally recognised at cost, with the exception of derivatives, which are measured at 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 fair values of financial instrument assets and liabilities are determined as follow:

- the fair value of financial instrument assets and liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices; and
- the fair value of other financial instrument assets and liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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.

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2020

26. Financial instruments (continued)

(h) Fair value recognised in the Statement of financial position

	Level 1 2020 \$'000	Level 2 2020 \$'000	Level 3 2020 \$'000	Total
Financial assets at fair value				
Derivative financial instruments	-	-	-	-
	-	-	-	-
Financial liabilities at fair value				
Derivative financial instruments	-	-	(415)	(415)
	-	-	(415)	(415)

	Level 1 2019 \$'000	Level 2 2019 \$'000	Level 3 2019 \$'000	Total
Financial assets at fair value				
Derivative financial instruments	-	19,413	1,420	20,833
	-	19,413	1,420	20,833
Financial liabilities at fair value				
Derivative financial instruments	-	-	-	-
	-	-	-	-

The 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 Entity has assessed the fair value of its foreign exchange derivatives using quoted forward exchange rate at the reporting date that are observed directly or indirectly (Level 2).

The fair value of the energy derivative is determined as the present value of future contracted cash flows and credit adjustments (Level 3). 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.

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2020

27. Administrative restructure

Net assets and liabilities transferred to the Entity were as follows:

	2020 \$'000	2019 \$'000
ASSETS		
Current assets		
Receivables	-	216,271
Total current assets	-	216,271
Receivables	-	92,466
Property plant & equipment		
Land and buildings	-	7,000
Infrastructure systems	-	4,348,632
Other assets	-	2,137,461
Total non-current assets	-	6,585,559
Total assets	-	6,801,830
LIABILITIES		
Current liabilities		
Payables	-	398,046
Total current liabilities	-	398,046
Borrowings	-	1,505
Other liabilities	-	74,694
Total non-current liabilities	-	76,199
Total liabilities	-	474,245
Net assets	-	6,327,585

Following the Proclamation under the *Transport Administration Amendment (Sydney Metro) Bill 2018*, Sydney Metro was established on 1 July 2018. The assets, rights and liabilities of the Metro projects were transferred from Transport for NSW under an order issued by the Minister for Transport and Infrastructure effective on and from 1 July 2018. The Metro projects transferred under this vesting order refer to all parts of the Metro planned, under construction and/or constructed in Sydney, including Sydney Metro Northwest, Sydney Metro City and Southwest and Sydney Metro West.

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2020

28. Budget review

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

(a) Net Result

The actual net surplus result was higher than budgeted by \$809 million, mainly due to the following:

	\$M
Net result per the Budget	1,402
Variance between budget and actual comprises	
Higher granting funding from TfNSW	953
Higher than budgeted depreciation expense	(57)
Higher than budgeted loss on asset disposal	(58)
Refinancing gain not included in the original budget	59
Receipt of funding for Waterloo metro development not included in budgeted revenue	(69)
Non-cash grant expense not included in the original budget	(12)
Impairment loss not included in the original budget	(6)
Other variances	(1)
Actual net result	2,211

(b) Assets and liabilities

The actual net assets were \$1,073 million higher than the original budget, mainly due to the following:

	\$M
Closing net assets as per the Budget	14,988
Variance between budget and actual comprises	
Receivables from integrated station developments not included in the original budget	1,128
Provisions not included in the original budget	(54)
Transfer of assets from other Government agencies during the year	48
Higher than budgeted depreciation on property, plant and equipment	(57)
Income received in advance not included in the original budget	7
Other variances	1
Actual net assets	16,061

(c) Cash flows

The closing cash position was \$211 million higher than budget due to:

	\$M
Closing cash and cash equivalents per budget	74
Variance between budget and actual comprises	
Higher than budgeted net cash flow from operating activities mainly due to higher grant funding	882
Higher than budgeted net cash flow from investing activities due to higher capital spend	(785)
Higher than budgeted net cash flow from financing activities	8
Higher than budgeted opening cash balance	106
Closing Actual cash and cash equivalents	285

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Notes to the financial statements

for the year ended 30 June 2020

29. Related party disclosures

a) Key management personnel compensation

During the year, the Entity incurred \$1.1 million (2019: \$1.1 million) in respect of the key management personnel services that are provided by the 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.

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.

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 FY2019-20, the 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:

- Grant revenue received from Transport for NSW;
- Monthly reimbursements from RailCorp for the design and construction of major rail projects by Sydney Metro;
- Recoupment of project and other costs incurred by Transport for NSW on behalf of Sydney Metro;
- Payments for personnel services provided by Transport Service of NSW;
- Payments for shared services provided by Transport for NSW, these are charges for personnel services, finance, human resources, and information technology services;
- Lease arrangements with Transport for NSW for the use of a community centre and an office building;
- Payments for services and works provided by other agencies, including Transport for NSW and Sydney Trains
- Reimbursement of replacement bus service payments to Transport for NSW;
- Contribution from Infrastructure NSW in relation to Waterloo Metro Quarter Development;
- Assets transferred to Transport for NSW via vesting order signed by the Transport Secretary;
- Assets transferred from Infrastructure NSW directed by the Government;
- Receipt of the Affordable Housing Contribution Fund from Infrastructure NSW to apply to the affordable housing component of the Waterloo Metro Quarter Development; and
- Recoupment of project and other costs incurred by Sydney Metro on behalf of Landcom.

30. Trust funds

The entity holds funds in trust for compulsory land acquisition compensation payable under the *Land Acquisition (Just Terms Compensation) Act 1991*. As the Entity performs only a custodial role in respect of these monies, and because the monies cannot be used for the achievement of the Entity's own objectives, these funds are not recognised in the financial statements.

The following is a summary of the transactions in the trust account:

	2020	2019
	\$'000	\$'000
Cash balance 1 July	8,070	-
Add: Receipts	49	263,168
Less: Expenditure	(1,556)	(255,098)
Cash balance at 30 June	6,563	8,070

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Notes to the financial statements

for the year ended 30 June 2020

31. Correction of prior year balances

Land transfer

It has been identified that properties were transferred or acquired by the Entity in the 2018-19 financial year for nil consideration, and were not recorded in the 30 June 2019 financial statements. These transfers should have been recorded at their fair value. As such, the Entity restated the prior year balance of property, plant and equipment by \$17.5 million increase to account for these transfers that were not recorded, with the corresponding adjustments to equity (\$13.7 million) and other revenue (\$3.8 million).

Transfer of assets

As part of project delivery, the Entity is required to undertake works to build assets for third parties such as councils, utility providers and other Government agencies, and once completed, the assets are transferred or handed over to the third parties. These works are generally undertaken via interface agreements or work authorisation packages with the relevant third party. Whilst the costs incurred in undertaking third party works are considered to be part of the capitalised project costs during construction, they are expensed as non-cash grant expense upon handover or transfer to the respective third parties, due to the loss of control/risks associated with the assets.

Further analysis of the third party works completed by the Entity has identified additional assets that were completed and transferred to third parties during 2019, but were not expensed. As such, the Entity has derecognised the carrying value of these assets from property, plant and equipment (\$10.0 million) with a corresponding prior year adjustments to grant expense.

The impact of 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.

Impact on Statement of Comprehensive Income

		Original 2019 \$'000	Adjustment 2019 \$'000	Restated 2019 \$'000
	Notes			
Expenses excluding losses				
Grants and subsidies	2(g)	322,163	10,043	332,206
Total expenses excluding losses		727,488	10,043	737,531
Revenue				
Other revenue	3(f)	-	3,820	3,820
Total revenue		2,974,704	3,820	2,978,524
Net result		1,992,834	(6,223)	1,986,611
Total comprehensive income		2,655,960	(6,223)	2,649,737

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2020

31. Correction of prior year balances (continued)

Impact on Statement of Financial Position

	Notes	Original 2019 \$'000	Adjustment \$'000	Restated 2019 \$'000
ASSETS				
Non-current assets				
Property plant and equipment				
Land and buildings	13	529,635	14,882	544,517
Infrastructure systems	13	13,459,499	(7,469)	13,452,030
Property, plant and equipment	13	14,661,488	7,413	14,668,901
Total non-current assets		15,410,553	7,413	15,417,966
Total assets		15,858,970	7,413	15,866,383
Net assets		13,596,391	7,413	13,603,804
EQUITY				
Accumulated funds		12,933,265	7,413	12,940,678
Total equity		13,596,391	7,413	13,603,804

Impact on Statement of Changes in Equity

	Notes	Original 2019 \$'000	Adjustment \$'000	Restated 2019 \$'000
Accumulated funds				
Net result for the year		1,992,834	(6,223)	1,986,611
Total comprehensive income for the year		1,992,834	(6,223)	1,986,611
Equity transfers		4,612,846	13,636	4,626,482
Balance at 30 June 2019		12,933,265	7,413	12,940,678
Total Equity		13,596,391	7,413	13,603,804

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2020

32. After balance date events

COVID-19

The outbreak of the novel Coronavirus (COVID-19) was declared as 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 Entity receives funding from Transport for NSW which receives appropriations 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 Entity to continue operating as a going concern after 30 June 2020.

At this stage, the impact on the Entity's operation and financial performance has not been significant.

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 Entity 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 land valuation, there has been limited sales data to draw conclusions from and there has been too little time passed since the previous valuation for the market to have moved materially due to COVID-19. The Entity also noted that there is significant market uncertainty, whereby the fair value of land and buildings may change significantly and unexpectedly over a relatively short period of time. The Entity will continue assess the implications of COVID-19 on the fair value of its land assets when new information becomes available.

There are no other events that have occurred after the balance date that would have a significant impact on the financial statements.

End of audited financial statements.



Sydney Metro

T 02 8265 9400

E sydneymetro@transport.nsw.gov.au

W sydneymetro.info

Street address

680 George Street
Sydney NSW 2000

Postal address

PO Box K659
Haymarket NSW 1240

Reception business hours

7.30am to 6.00pm, Monday to Friday

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